WORLD TRADE ORGANIZATION

S/WPGR/W/25/Add.4
12 February 2004

(04-0564)

Working Party on GATS Rules

SUBSIDIES FOR SERVICES SECTORS

INFORMATION CONTAINED IN WTO TRADE POLICY REVIEWS

Background Note by the Secretariat[1]

Addendum

I. INTRODUCTION

1. At its meeting of 1 October 2003, the Working Party on GATS Rules requested the Secretariat to prepare an update of the information on subsidies in services contained in Trade Policy Reviews. This document, which complements the information provided in S/WPGR/W/25, - Add. 1, Add. 2 and Add. 3, covers 26 Reviews carried out between August 2002 and 11 February 2004 (WT/TPR/S/103 to 128). Relevant information has been added, in italics, in the overview table already contained in the previous documents (Table 1).

2. The compilation of information from TPR reports necessarily suffers from certain limitations, as explained at length in the introduction to previous versions of this Note[2]. The same considerations continue to apply. Suffice it to recall, for instance, that the selection of Members to be reviewed, or the content of reports, are not driven by subsidy-related issues and problems, but rather by a Member's main policy challenges and constraints. As a result, the amount of information contained on subsidies in reports might vary from Member to Member. Also, TPR reports do not normally attempt to assess the possible distortive effects of subsidies on trade. While most reports contain some information on subsidies, the limited level of detail sometimes makes it difficult to identify the extent to which a benefit is actually being conferred or the identity of the recipient of the subsidy.

3. It also needs to be kept in mind that, while this Note compiles potentially relevant information against the background of the definition of "subsidy" and related concepts (e.g., "benefit", "financial contribution") contained in the Agreement on Subsidies and Countervailing Measures (ASCM), not all data recorded in TPR reports may be compatible with this definition. As previous versions of this Note, the compilation of information from TPR reports focuses, in the light of Article 2 of the ASCM, on specific subsidies. As well, some of the subsidies mentioned in TPR reports may be financial contributions to services which are beyond the scope of the GATS, i.e., services provided in the exercise of governmental authority (Article I:3(b)) or services excluded through the Annex on Air Transport Services.

[1] This document has been prepared under the Secretariat's own responsibility and without prejudice to the positions of Members and to their rights and obligations under the WTO.

[2] See introductions to: S/WPGR/W/25, S/WPGR/W/25/Add.1, S/WPGR/W/25/Add.2, and S/WPGR/W/25/Add.3.

II. POLICY PATTERNS

4. The information contained in the TPR reports issued since September 2002 generally tends to confirm the broad patterns identified in previous documents. Subsidies are found in the whole range of services sectors, but mainly in tourism, transport and banking. A good number of Members also provide subsidies relating to telecommunications services, many of which in the form of grants relating to the fulfilment of universal service obligations. Concerning the types of measures used, Members continued to rely on tax incentives more than on direct grants. A significant number of Members used duty-free inputs and free zone incentives, which sometimes appeared to be linked to exports.

Table 1: Forms of financial assistance to services sectors - information from TPR Reports

➢ MEASURE ➢ **⮟ SECTOR ⮟**	**Direct grants**	**Preferential credit & guarantees**	**Equity injections**	**Tax incentives**	**Duty-free inputs & free zones**	**Other & unspecified measures**	**Number of WTO Members[2]**
Tourism	Botswana Canada Israel Switzerland Liechtenstein Costa Rica Czech Rep. Slovak Rep. *Australia* *Lesotho* *Morocco* *Turkey*	Canada Nigeria[1] Iceland India Jamaica South Africa Trinidad & Tobago Turkey Grenada Mauritius Slovak Rep. Barbados Uganda *Botswana* *Morocco*	South Africa *Burundi*	Nigeria[1] Argentina Egypt India Israel Jamaica Nicaragua Philippines Solomon Is. Tanzania Trinidad & Tobago Uruguay Madagascar Ghana Macau, China Costa Rica Dominica Grenada St. Kitt & Nevis Saint Lucia St. Vincent & G. Gabon Cameroon Mauritius Slovak Rep. Malawi Haiti Barbados *Australia* *Dominican Republic* *Zambia* *Venezuela* *Lesotho* *Morocco* *Niger* *Senegal* *Honduras* *Guyana* *Thailand* *Turkey* *Sri Lanka*	Argentina Egypt India Jamaica Kenya Nicaragua Peru Solomon Is. Tanzania Trinidad & Tobago Turkey Uruguay Mozambique Ghana Macau, China Dominica Grenada S. Kitt & Nevis Saint Lucia St. Vincent & G. Malawi Haiti Barbados *Burundi* *Morocco* *Niger* *Senegal* *Honduras* *Bulgaria* *Guyana*	Guinea[1] Lesotho Singapore Brunei D. Mauritius Guatemala Slovenia Barbados *New Zealand* *Indonesia* *The Gambia*	63

➢ MEASURE ➢ ⮛ SECTOR ⮛	Direct grants	Preferential credit & guarantees	Equity injections	Tax incentives	Duty-free inputs & free zones	Other & unspecified measures	Number of WTO Members[2]
Transportation general or unspecified	Canada Switzerland Liechtenstein Czech Rep. *Australia* *Namibia* *South Africa* *New Zealand*	Poland Grenada		Philippines Poland Korea RP Madagascar Slovak Rep. Malawi *Australia* *Morocco* *Sri Lanka*	Mozambique Malawi *Venezuela* *Morocco* *The Gambia*	Brunei D. Czech Rep. Slovak Rep. *Indonesia* *Bulgaria* *The Gambia* *Sri Lanka*	24
Maritime transport	*Australia* Solomon Islands[1] Czech Rep. Pakistan India *Turkey*	Thailand U.S. India		Egypt India Jamaica Peru Singapore Turkey U.S. Brazil *Japan* Mauritius Mexico Barbados *Australia* *Venezuela* *HK, China* *Indonesia* *Honduras* *Turkey* *U.S.* *Sri Lanka*	Egypt Jamaica Papua N.G. Peru Turkey Pakistan Barbados *Indonesia* *Honduras*	EC Korea RP U.S. Mauritius India *Australia*	25
Air transport	*Canada* *U.S.*	Papua N. G.	Hungary[1]	Egypt Macau, China Mexico *Venezuela* *HK, China* *Niger* *Honduras*	Hungary Papua N.G. *Niger* *Honduras*	EC (F, I, P, G) India EC *New Zealand* *U.S.*	14
Rail transport	India Kenya Switzerland Czech Rep. *South Africa* *Turkey*			*Australia* *Hong Kong, China* *Senegal*		Slovak Rep.[1] Malawi India EC *Indonesia* *Senegal*	13
Banking	Poland Brazil *Australia* *South Africa*	Indonesia Thailand Poland EC (D) Costa Rica Slovak Rep.	HK, China Thailand Norway Slovak Rep. Mexico India[1] *Indonesia* *Thailand* *Turkey*	Singapore Tanzania U.S. Poland Korea RP Switzerland Ghana Macau, China Mauritius Malaysia India Barbados *Australia*	Trinidad & Tobago[1] Jamaica Singapore Tanzania Thailand Mozambique Saint Lucia St. Vincent & G. *Morocco* *The Gambia*	Korea RP Brunei D. Czech Rep. Slovak Rep. India Barbados	33

➢ MEASURE ➢ ⮟ SECTOR ⮟	Direct grants	Preferential credit & guarantees	Equity injections	Tax incentives	Duty-free inputs & free zones	Other & unspecified measures	Number of WTO Members[2]
Other financial services	*Australia*	Indonesia Thailand *U.S.*	HK, China Thailand	Singapore U.S. Korea RP Brazil Dominica St. Kitt & Nevis Barbados *Australia* *U.S.*	Singapore Thailand Trinidad & Tobago[1] Mozambique Saint Lucia St. Vicent & G. Barbados *Morocco* *The Gambia*		17
Software, info technology, communications, info processing	Canada *Australia* *Turkey*	Jamaica		Canada Egypt India Korea RP Grenada Slovak Rep. Pakistan *Australia* *Sri Lanka*	Jamaica Trinidad & Tobago[1] Uruguay Madagascar Grenada Pakistan India *The Gambia*	Korea RP Pakistan	15
Construction	U.S. *Australia* *Chile*	Argentina Poland		Argentina Bolivia Trinidad & Tobago Turkey Korea RP Poland India *Australia* *Venezuela* *Niger* *Sri Lanka*	Mozambique Brunei D. India *Niger*		15
Recreation, culture & sports	Canada Korea RP Norway *Australia*	Jamaica		Bolivia Costa Rica *Australia* *Niger* *Senegal* *Honduras* *Sri Lanka*	Bolivia Israel *Niger* *Senegal* *Honduras*		12
Telecom	Peru Singapore *Australia* *Venezuela* *El Salvador* *Canada* *Botswana* *Namibia* *Chile* *U.S.*	India		India St. Kitt & Nevis[1] *Venezuela*	Trinidad & Tobago[1] Mozambique Saint Lucia India *The Gambia*	Mauritius India *Niger* *The Gambia*	18
Audiovisual services	Argentina Canada EC *Australia* *New Zealand* *The Gambia*			*Canada* Jamaica Tanzania Korea RP Mexico	Jamaica Tanzania *Burundi*		11
Wholesale & retail trade, distribution	*Australia*	Turkey		Trinidad & Tobago Korea RP *Australia* *Venezuela* *Honduras* *Sri Lanka*	Tanzania *El Salvador* *Honduras* *Bulgaria* *The Gambia* *Sri Lanka*		11

➢ MEASURE ➢ ⮛ SECTOR ⮛	Direct grants	Preferential credit & guarantees	Equity injections	Tax incentives	Duty-free inputs & free zones	Other & unspecified measures	Number of WTO Members[2]
Real estate	*Australia*	India		Canada Japan *Australia*	Trinidad & Tobago		5
Energy	*Australia* *Turkey*			Madagascar Costa Rica Slovak Rep. Guatemala Haiti *Australia* *Sri Lanka*	*The Gambia*	Brunei D. Guatemala India *El Salvador* *Bulgaria* *U.S.* *The Gambia*	14
Other & unspecified sectors	*Australia* *New Zealand* *Morocco* *Turkey*	Australia Bangladesh Turkey Czech Rep. Uganda	Canada	Singapore Korea RP Costa Rica Dominica St. Kitt & Nevis *Australia* *Venezuela* *Morocco* *Senegal* *Honduras* *Thailand*	Hungary Singapore Dominica Saint Lucia St. Vincent & G. *Mauritania* *Dominican Republic* *Burundi* *Senegal* *Honduras* *Thailand* *The Gambia*	Brunei D. Czech Rep. Mauritius Slovak Rep. *El Salvador* *The Gambia*	28
Number of cases	74	44	15	165	112	60	

1 Subsidy programme envisaged.
2 Counting EC as one.
Source: WTO Secretariat.

ANNEX

Content of Individual Trade Policy Reviews

Mauritania -- WT/TPR/S/103

P. 49, para. 86

In 2002, the new Investment Code introduced a free points regime applicable to enterprises whose total production is exported.[3] The enterprises covered by this regime are under the supervision of the customs administration and benefit from advantages such as exemption from export duties and taxes, exemption from import duties and taxes on production means and inputs, simplified customs formalities and controls, and freedom to recruit up to four expatriate agents without authorization or a work permit. These enterprises pay a flat rate of 25 per cent on profits and the minimum flat rate tax (IMF) of 2 per cent on turnover, which constitutes advance payment of the profits tax.

Australia – WT/TPR/S/104

P. xiii, para. 25

In the period under review, Government support to the services sector, through direct financial assistance, tax expenditures, and funding to public-sector institutions, has risen; the main recipients have been **finance and insurance, cultural and recreational, transport and storage, property, and business and communication services**. Several access restrictions have remained in force. Financial services reforms (e.g. prudential rules, institutional) have been pursued in several areas in the light of recommendations made in 1997. Liberalization of telecommunications has led to further privatization of state-owned firms, increased entry of private sector operators, and lower tariffs; however, operational costs relating to the universal service obligation have been a concern. Support for domestic advertisement and film producers has been maintained through local-content requirements in television broadcasting as well as **film production** funding. As regards maritime services, state involvement seems to have been reduced; financial assistance to **shippers of freight** between Tasmania and the mainland has been maintained. **Maritime road, and rail transport** have also benefited from tax rebates on fuels. Efforts have been made to reduce air transportation costs and improve the quality of services through more operators and airport leasing. E-commerce is being promoted through network funding and bilateral arrangements.

P. 60-61, para. 96

Despite public spending cuts as part of the fiscal consolidation programme (Chapter I), between 1997/98 and 2000/01, different forms of direct financial, tax or institutional assistance to exports of goods and **services** followed an overall upward trend, largely due to increased support for exports of primary and mining products as well as certain services (Table III.6). By contrast, assistance to exports of manufactured goods declined.

[3] According to Article 8 of the Code the following may be covered by the free points regime: activities directly intended for export (the production and sale of goods abroad or the supply of **services**), activities indirectly intended for export comprising the integral sale of goods or supply of **services** to beneficiaries situated in Mauritania whose activities directly involve export.

Table III.6
Commonwealth assistance to exporters of goods and services, 1997-02
($A million)

	1997/98	**1998/99**	**1999/00**	**2000/01[a]**	**2001/02[a]**
General export measures	549	543	546	579	605
of which:					
(i) primary products (DFA, FI)	55	53	58	63	69
(ii) manufacturing sector	229	208	201	212	32
- food, beverages and tobacco (DFA)	7	8	8	9	9
- textiles, clothing, footwear and leather (DFA, FI, TE)	19	16	15	17	17
- wood and paper products (DFA, TE)	4	3	3	<3	<3
- printing, publishing and recorded media (DFA)	3	3	3	3	3
- petroleum, coal, chemical and associated products (DFA, FI, TE)	9	10	10	11	11
- non-metallic mineral products (DFA, TE)	3	2	2	<2	<2
- metal product manufacturing (DFA, TE)	10	8	9	6	6
- motor vehicles and parts (FI, DFA, TE)	4	18	19	70	70
- other transport equipment	n.a.	n.a.	n.a.	n.a.	..
- other machinery and equipment (DFA, TE)	61	32	31	20	20
- other manufacturing (DFA, TE)	17	13	14	21	21
- unallocated manufacturing (DFA, TE)	92	95	87	50	70
(iii) services sector	247	266	266	290	288
- electricity, gas, and water supply (DFA)	<1	<1	<1	<1	<1
- construction (DFA, FI, TE)	22	24	27	30	30
- wholesale trade (DFA, TE)	15	15	12	17	17
- retail trade (DFA, FI)	22	25	24	23	23
- accommodation, cafés and restaurants (DFA, FI)	28	32	33	37	37
- transport and storage (DFA, FI, TE)	48	52	49	48	48
- communication (DFA, FI)	19	20	22	25	23
- finance and insurance (DFA)	<1	<1	<1	<1	<1
- property and business services (DFA)	22	23	22	24	24
- government administration and defence (FI)	2	2	2	3	3
- education (DFA, FI)	20	20	18	20	20
- health and community services (DFA)	<1	<1	<1	<1	<1
- cultural and recreational services (DFA, FI)	25	28	29	33	33
- personal and other services (DFA)	1	1	1	1	1
- unallocated services (FI)	20	21	24	26	26
(iv) mining sector (DFA, FI)	8	9	10	11	11
(v) unallocated other[b] (FI)	10	7	11	3	5

.. Not available.
n.a. Not applicable

a Estimates.
b Includes programmes or amounts of funding where the industry is not stated or recipients are unknown.

Note: DFA: direct financial assistant; FI: funding to institutions; TE: tax expenditures. To calculate the total, data given as "<A$1 million" " have been read as $A 1 million.

Source: Productivity Commission (2001*), Trade & Assistance Review 2000-01*, Tables 4.3, 4.4, 4.5, 4.6, 4.7 and 4.8 [Online], 12 December, Annual Report Series 1999-2000, AusInfo. Available at: http://www.pc.gov.au/research/annrpt/[11 June 2002].

P. 109-113, para. 77

The estimated level of support provided to the services sector through direct financial assistance, tax expenditures, and funding to public-sector institutions has been increasing (Table IV.5); budgetary outlays aimed at encouraging investment, R&D, and exports have been allocated mainly to **finance and insurance, cultural and recreational, transport and storage, property, and business and communication services**.

Table IV.5
Developments in domestic support to services, 1997-02
($A million)

	Type[a]	1997/98	1998/99	1999/00	2000/01[b]	2001/02[b]
Electricity, gas & water supply						
Industry-specific measures						
Renewable Energy Commercialization [c]	DFA	-	2	3	7	12
Renewable Energy Equity Fund [c]	DFA	-	-	<1	3	3
General investment measures						
Development allowance	TE	14	2	2	4	4
Infrastructure Bonds	TE	60	55	44	31	13
Infrastructure borrowing tax offset scheme	TE	3	25	25	43	43
General export measures						
Export Market Development Grants Scheme	DFA	<1	<1	<1	<1	<1
General R&D measures						
Cooperative Research Centres	FI	3	4	5	5	3
R&D Start and related programmes	DFA	1	1	1	2	2
R&D tax concession	TE	1	1	1	1	1
Total		**83**	**91**	**81**	**97**	**82**
Construction						
General export measures						
Austrade export promotion [d]	FI	20	22	25	27	27
Export Market Development Grants Scheme	DFA	2	2	2	2	2
TRADEX	TE	-	-	-	1	1
General R&D measures						
Cooperative Research Centres	FI	-	-	-	-	2
CSIRO research	FI	24	25	25	22	22
Innovation Investment Fund	DFA	-	-	-	2	3
R&D Start and related programmes	DFA	2	<1	<1	1	1
R&D tax concession	TE	19	15	8	8	8
Total		**67**	**64**	**60**	**63**	**65**
Wholesale trade						
General investment measures						
Development allowance		<1	-	-	12	11
General export measures						
Export Market Development Grants Scheme	DFA	15	15	12	13	13
TRADEX	TE	-	-	-	4	4
General R&D measures						
R&D Start and related programmes	DFA	-	<1	2	1	1
R&D tax concession	TE	14	13	20	21	22
Total		**30**	**28**	**35**	**51**	**51**

	Type[a]	1997/98	1998/99	1999/00	2000/01[b]	2001/02[b]
Retail trade						
Industry-specific programmes						
Pharmacy Restructuring grants	DFA	7	11	13	10	-
General investment measures						
Development allowance	TE	<1	<1	<1	<1	<1
General export measures						
Australian Tourist Commission	FI	18	21	21	21	21
Export Market Development Grants Scheme	DFA	4	4	3	2	2
General R&D measures						
R&D tax concession	TE	2	3	5	5	5
Total		**32**	**38**	**41**	**39**	**29**
Accommodation, cafes & restaurants						
General investment measures						
Development allowance	TE	1	1	1	-	-
General export measures						
Export Market Development Grants Scheme	DFA	4	5	5	9	9
Australian Tourist Commission	FI	24	27	28	28	28
Total		**29**	**33**	**34**	**37**	**37**
Finance & insurance						
General investment measures						
Development allowance	TE	27	6	6	1	1
Offshore Banking Unit	TE	17	30	35	35	30
Infrastructure borrowing tax offset scheme	TE	3	19	19	19	19
General export measures						
Export Market Development Grants Scheme	DFA	<1	<1	<1	<1	<1
General R&D measures						
R&D Start programme	DFA	1	<1	<1	1	1
Innovation Investment Fund	DFA	-	5	5	<1	<1
R&D tax concession	TE	54	26	18	19	20
Total		**102**	**86**	**83**	**76**	**71**
Communication services						
Industry-specific measures						
Investment incentive to IBM	DFA	-	-	-	2	1
Software Engineering Centres	FI	-	2	6	6	6
General investment measures						
Development allowance	TE	-	18	-	33	30
General export measures						
Export Market Development Grants Scheme	DFA	1	1	1	2	2
Austrade export promotion [d]	FI	17	18	20	22	22
Australian Tourist Commission	FI	1	1	1	1	1
General R&D measures						
Cooperative Research Centres	FI	2	2	2	3	6
CSIRO research	FI	22	21	21	21	21
Innovation Investment Fund	DFA	-	12	20	5	6
R&D Start programme	DFA	7	10	12	14	14
R&D tax concession	TE	16	7	30	31	32
Total		**66**	**93**	**114**	**140**	**141**

	Type[a]	1997/98	1998/99	1999/00	2000/01[b]	2001/02[b]
Transport & storage						
Industry-specific measures						
Investment incentive to Asia Pacific Space Centre	DFA	-	-	-	-	6
General investment measures						
Development allowance	TE	33	<1	<1	6	5
Infrastructure Bonds	TE	55	50	41	29	12
Infrastructure borrowing tax offset scheme	TE	4	31	31	13	13
General export measures						
Export Market Development Grants Scheme	DFA	18	18	15	11	11
Australian Tourist Commission	FI	30	34	34	35	35
TRADEX	TE	-	-	-	2	2
General R&D measures						
R&D Start and related programmes	DFA	-	1	5	2	2
R&D tax concession	TE	4	12	5	5	6
Total		**144**	**147**	**132**	**102**	**91**
Property & business services						
General investment measures						
Development allowance	TE	1	-	18	2	2
General export measures						
Export Market Development Grants Scheme	DFA	22	23	22	24	24
General R&D measures						
Biotechnology Innovation Fund	DFA	-	-	-	-	1
Cooperative Research Centres	FI	7	4	3	4	5
R&D Start & related programmes	DFA	6	14	22	28	28
Innovation Investment Fund	DFA	-	1	1	<1	<1
R&D tax concession	TE	40	48	65	68	70
Total		**76**	**89**	**131**	**126**	**129**
Government administration & defence						
General investment measures						
Development allowance	TE	-	3	3	-	-
General export measures						
Austrade export promotion [d]	FI	2	2	2	3	3
General R&D measures						
R&D Start & related programmes	DFA	<1	<1	<1	<1	<1
Total		**2**	**6**	**6**	**3**	**3**
Education						
General investment measures						
Development allowance	TE	-	1	1	<1	<1
General export measures						
Australian Tourist Commission	FI	<1	1	1	1	1
Export Market Development Grants Scheme	DFA	11	11	8	9	9
Austrade export promotion [d]	FI	8	8	9	10	10
General R&D measures						
R&D Start & related programmes	DFA	5	5	7	4	4
R&D tax concession	TE	2	1	3	3	3
Total		**27**	**26**	**29**	**27**	**27**

	Type[a]	1997/98	1998/99	1999/00	2000/01[b]	2001/02[b]
Health & community services						
General export measures						
Export Market Development Grants Scheme	DFA	<1	<1	<1	<1	<1
General R&D measures						
Cooperative Research Centres	FI	12	12	13	13	13
R&D Start programme	DFA	7	10	12	18	18
R&D tax concession	TE	2	3	3	3	3
Total		**22**	**25**	**29**	**35**	**38**
Cultural & recreational services						
Industry-specific measures						
Australian Film Commission[b]	DFA	30	16	17	17	17
Australian Film Finance Corporation & Film Australia[b]	DFA	48	48	48	48	48
Film industry division 10B & 10BA	TE	20	21	21	21	19
General export measures						
Australian Tourist Commission	FI	3	4	4	4	4
Austrade export promotion[d]	FI	16	17	19	21	21
Export Market Development Grants Scheme	DFA	6	7	6	8	8
General R&D measures						
Biotechnology Innovation Fund	DFA	-	-	-	-	1
Cooperative Research Centres	FI	5	2	2	2	2
R&D Start & related programmes	DFA	-	<1	<1	<1	<1
R&D tax concession	TE	1	-	4	4	4
Total		**129**	**115**	**122**	**127**	**126**
Personal & other services						
General export measures						
Export Market Development Grants Scheme	DFA	1	1	1	1	1
General R&D measures						
R&D Start & related programmes	DFA	2	2	2	4	4
R&D tax concession	TE	<1	<1	<1	<1	<1
Total		**3**	**4**	**4**	**6**	**6**
Unallocated services						
General export measures						
Austrade export promotion[d]	FI	19	20	23	25	25
Australian Tourist Commission	FI	1	1	1	1	1
General R&D measures						
CSIRO research	FI	9	9	9	10	10
R&D Start & related programmes	DFA	-	<1	2	<1	<1
Other programmes						
Building IT Strengths	DFA	-	-	42	6	55
Total		**29**	**31**	**75**	**42**	**91**
Total outlays		**445**	**484**	**563**	**544**	**605**
Total tax expenditures		**395**	**391**	**409**	**426**	**383**
Total budgetary assistance		**840**	**875**	**973**	**970**	**988**

- Nil.

a DFA: direct financial assistance; FI: funding to institutions; TE: tax expenditures.
b 2000-01 data are Budget estimates and 2001-02 data are Budget appropriations.
c The above industry allocations reflect the availability of recently supplied data. In the *Trade & Assistance Review 1999-2000,* these programmes were classified under the unallocated category due to a lack of information. Consequently, the previous classification is no longer appropriate.

d Estimates for 1999/00, 2000/01, and 2001/02 are based on Austrade industry allocations for 1998/99. Austrade has not assembled data on the industries benefiting from its export promotion activities for subsequent years.

Note: Figures may not add to total due to rounding.

Source: Productivity Commission (2001), *Trade & Assistance Review 2000-2001*, Table 4.6 [Online], 11 December, Annual Report Series 2000-2001, AusInfo. Available at: http://www.pc.gov.au [28 February 2002].

P. 119, para. 98

During the period under review, the universal service obligation (USO) subsidy levels have been an issue and the subject of comprehensive reform. Telstra's USO requires that standard **telephone services, including services for the disabled, public payphones, digital data services and prescribed carriage services**, are reasonably accessible to all people in Australia on an equitable basis at affordable prices, wherever they reside or carry on business. As a matter of course, Telstra's $A 1.8 billion USO claim (lodged on 28 September 1998) was subject to scrutiny by the independent regulator, the Australian Communications Authority (ACA), which finally estimated Telstra's cost for 1997/98 at $A 548 million. Given the unprecedented size of the claim, however, and its potential to cause industry instability and deter investment, the authorities decided the setting of a subsidy would be set by agreement between the carriers, or capped at the historical level of $A 253.2 million. The subsidies for 1998/99 and 1999/00 varied in line with ACA advice, at around $A 280 million in each year. Following the 1997/98 claim, an extensive review of Australia's USO arrangements was undertaken and, in 2000, new arrangements were enacted. Amongst other things, the Minister was empowered to set USO subsidies for up to three years in advance, based on the advice of the ACA. This approach enables a range of factors to be considered in setting subsidies. According to the authorities, the setting of subsidies in advance provides industry with certainty, helping it to plan. Subsidies of $A 240 million, $A 234.1 million, and $A 231.7 million have been set for 2001/02, 2002/03, 2003/04.

P. 121, para. 107

The Australian film production industry receives government support in several ways. The Australian Film Commission provides screen, cultural, and industry support through a range of measures including project development through script and other pre-production assistance, post-production grants and low-budget production funding, and grants in support of a vigorous and diverse screen culture.[4] The Australian Film Finance Corporation (FFC), the principal government agency for funding the production of Australian **film and television programmes**, has annual public funding of $A 50 million for the period from 2001/02 to 2003/04.[5]

P. 122, para. 110

Financial assistance to **shippers of freight** between Tasmania and the mainland under the Tasmanian Freight Equalisation Scheme (TFES) was modified and put in effect as of 1 July 1999. The modified TFES provides a more transparent and appropriate basis for assistance to shippers and defines more clearly the transport cost disadvantage (the difference between a shipper's wharf gate to wharf gate cost and the notional road freight cost for an equivalent freight task). All commodities are being compensated on an identical basis, that is, on a per twenty-foot container (TEU) basis. The TFES assists in alleviating the comparative interstate freight cost disadvantage incurred by the

[4] Australian Film Commission online information. Available at: http://www.afc.gov.au/about/whowe/index.html [17 April 2001].

[5] Minister of Communications, Information Technology and the Arts online information. Available at: http://www.dcita.gov.au/ [24 April 2001]; and Australian Film Finance Corporation online information. Available at: http://www.ffc.gov.au/intro.html [17 April 2001].

shippers of eligible non-bulk goods. Eligible items include goods produced in Tasmania for use or sale on the mainland as well as equipment and raw materials of Australian origin used as inputs by mining, manufacturing, agricultural, fishing, and forestry industries in Tasmania. Cargoes intended for export, bulk cargoes, and goods manufactured overseas are ineligible. Some 1,450 shippers benefit from the scheme.

Dominican Republic -- WT/TPR/S/105

P. 42-43, para. 105, 107 and 109

In January 2001, the Dominican Republic notified the export subsidy measures maintained under the Free Trade Zone Law (Law No. 8-90) of 8 January 1990, and requested an extension of the transition period provided for in Article 27.4 of the WTO Agreement on Subsidies and Countervailing Measures.[6] The Ministerial Conference directed the Committee on Subsidies and Countervailing Measures to extend the transition period under this Article for certain export subsidies provided by Members.[7] (...)

More than half of the enterprises installed in FTZs are engaged in the production of textiles. The authorities indicated, however, that there had been increasing diversification in recent years. Activities with particularly high growth rates include the production of jewellery, electronic components, **marketing services**, and pharmaceutical products. Chapter IV(4) contains a more detailed description of individual industries operating in FTZs. (...)

As described in detail in the previous Secretariat Report on the Dominican Republic, Law No. 8-90 grants considerable incentives for a renewable period of fifteen years to enterprises located in FTZs. These incentives include the exemption from the payment of: income and corporate taxes; value-added tax on imports, and import duties for all inputs and all equipment used in establishing and operating the company; municipal taxes; export taxes; and various specific taxes. Additional benefits under this Law, such as a 20-year exemption from the above taxes, and rental subsidies, are available for companies located in FTZs in the Haitian-Dominican border area.

P. 82, para. 132

The Tourism Development Law aims to promote **tourism** development in specifically defined priority regions. In particular, the Law offers exemptions from income tax and a 50% reduction of ITBIS for enterprises investing in tourism-related activities in the stipulated regions. In order to administer the benefits, the Law established a Council for Tourism Development (CONFOTUR), composed of representatives from various ministries and the National Hotel and Restaurant Association (ASONAHORES). In addition, the Law created a Fund for the Promotion of Tourism, to promote tourism to the Dominican Republic internationally in a more effective manner.

Zambia – WT/TPR/S/106

P. 45, para. 80

Zambia provides a variety of incentives to assist exporters and investment in export-oriented industries. Under the 1993 Investment Act, most recently amended in 1998, a concessional income tax of 15%, compared with the standard rate of 35%, is granted to exporters of non-traditional goods

[6] WTO document G/SCM/N/74/DOM, 8 January 2002.
[7] WTO document WT/MIN(01)/17, 20 November 2001.

who hold an investment licence.[8] Investments in the **tourism** sector that earns foreign exchange in excess of 25% of gross annual earnings are exempt from duties and VAT.

P. 79-80, para. 111

New investment in the sector has come from Zambians and from foreigners, largely through the privatization programme. Revitalization is taking place in the Livingstone/Victoria Falls area, as Zambia is in a position to take advantage of the decline in tourism in neighbouring countries. As part of the effort to expand tourism, the Government has offered several incentives. These included reducing corporate tax to 15% for **tourist operators** and recognizing them as exporters of non-traditional exports, and refunding VAT on costs incurred in establishing tourism enterprises and zero-rating accommodation offered by **hotels, lodges, and guest houses** in the Livingstone District for two years. A Tourism Development Master Plan has lagged, however, because of the Government's failure to provide necessary resources in recent Budgets. It is hoped that a bilateral partner will assist in developing the Tourism Master Plan in 2003.

Japan -- WT/TPR/S/107

P. 66, para. 41

According to the authorities, no exclusive rights or subsidies are given to Japanese-flag carriers. Nonetheless, support measures for Japanese-flag carriers (the "International Ship Regime") have been unchanged since Japan's previous Review.[9] According to the authorities, the International Ship Regime does not distort trade in **maritime transport services**; it aims to place Japanese vessels on an equal footing with those of other countries that provide preferential tax treatment for their registered ships.

Venezuela -- WT/TPR/S/108

P. 32, para. 65

Venezuela provides a series of investment incentives, primarily in the form of tax reductions or credits. New investments made within five years of the entry into force of the 1999 Income Tax Law are eligible for a 10 per cent reduction in the top income tax rate in the farm, agribusiness, manufacturing, fisheries, fish-farming, livestock, tourism, **construction**, electrical power, **telecommunications**, and science and technology (other than hydrocarbons-related) industries (or of 80 per cent under certain conditions in the farm, livestock, fisheries and aquacultural sectors). Tax reductions are also granted for greenfield investments in the hydrocarbons industry (8 per cent), **hotel construction** (75 per cent) and in sectors that are considered to be of particular importance for the country’s economic development or that create jobs (see Chapter III(4)(ii)(a)). Investors undertaking industrial projects that are in their pre-operation stages may be exempted from the value-added tax for a period of five years or until the pre-operation stages have been completed.

P. 66, para. 145-146

Exporters of goods and **services** may qualify for the recovery of VAT. Upon application to SENIAT, the exporter is entitled to recover all taxes paid on inputs represented in imported goods

---

[8] Investment licences are granted by the Zambia Investment Centre for all activities, excluding banking, insurance, mining and quarrying.

[9] These measures include tax breaks in ship-registration tax and local property tax.

purchased and services received in connection with his export activities.[10] In his application to SENIAT the exporter must provide a list of domestic purchases of goods, domestic services received and services provided in Venezuela by non-resident natural or non-domiciled legal persons, indicating the amount invoiced and the VAT.

Under cover of Partial Regulations No. 2 of the Law on VAT, in force since 26 August 1999, exporters of goods and services may also recover the tax paid on domestic and imported purchases of capital goods and on services that increase the value of such goods or are necessary for them to perform the functions for which they are intended, made during the pre-operational phase of implementation of industrial projects essentially intended to produce goods for export or to generate hard currency.[11] To qualify for the tax credit the volume of exports of goods or services must represent at least 50 per cent of the enterprise's operations, or 25 per cent if the goods produced are exempt from VAT. In the case of **tourism projects**, foreigners must account, on average, for not less than 40 per cent of the stays each year. The recovery regime has a maximum period of validity of five years from the commencement of the pre-operational phase. If on the expiry of this period the applicant can show that the pre-operational phase has not yet ended, the duration of the recovery regime may be extended for a further period of not more than five years.

<u>P. 67, para. 151</u>

Free area activities are restricted to specific sectors or types of goods and services. For example, the Free Area for the Promotion of Tourism Investment in the Paraguaná Peninsula was established under the Law on the Establishment and Regime of the Free Area for the Promotion of Tourism Investment in the Paraguaná Peninsula, Falcón State, of 6 August 1998 for promoting the provision of tourism services and commercial services related to tourism. The Cultural, Scientific and Technological Free Area of Mérida State (ZOLCCYT), established under the Law on the Cultural, Scientific and Technological Free Area of Mérida State of 14 July 1995 and regulated by Decree No. 2.714 of 9 September 1998, operates under a preferential tax regime set up for the purpose of encouraging the **production, dissemination and distribution of cultural, scientific and technological goods and activities** in the region. Activities relating to the production, **distribution**, marketing and promotion of goods subject to the regime carried out within ZOLCCYT are exempt from income tax.

<u>P. 74, para. 190</u>

The entity responsible for tourism grants incentives in the form of exemptions from customs duties on the importation of vessels, aircraft, vehicles and parts used for **transporting tourists**.

<u>P. 119-120, para. 165</u>

The supply of universal telecommunications services is guaranteed by the State. CONATEL is therefore obliged to set as one of its priorities the supply of services intended gradually to meet the universal service obligation, ensuring *inter alia*, that everyone can be connected to a **fixed public telephone network**, and there is a sufficient number of public telephones, and there is general **access to the Internet**. The universal service is guaranteed through the Universal Service Fund (FSU), whose purpose is to subsidize the infrastructural costs involved in compliance with the universal service obligations. Universal service obligations are attributed through an open selection process to

[10] The legal basis for the refunding of taxes is Resolution No. 454 of 8 June 2000 and Decree No. 596 of 21 December 1999 (Partial Regulations No. 1 of the VAT Law concerning the Recovery of Tax Credits for Exporter Taxpayers).

[11] Decree No. 236 of 2 August 1999 adopting Partial Regulations No. 2 of the VAT Law on the Recovery of Tax Credits, published in Official Gazette No. 36.772 of 25 August 1999.

the operator that seeks the lowest amount from the FSU. The FSU's resources come from contributions by operators of telecommunications services for profit, with the exception of suppliers of sound broadcasting or open television services; the contributions amount to 1 per cent of the operator's gross revenue from the services covered by the authorization. As at September 2002, the FSU's resources had not been utilized.

P. 122, para. 179

Vessels listed in RENAVE which are engaged in **international transport** operations in Venezuelan ports benefit from a 10 per cent reduction in port and quay charges. In addition, they only have to pay this tax once each calendar year, whereas foreign vessels must pay the tax each time they utilize the National Marine Navigation Support System (*Sistema Nacional de Ayudas a la Navegación Acuática*) (SNANA). Other incentives include permanent exemption from the Tax on Capital Assets and from VAT on temporary or permanent import of vessels. The Law also gives those who earn revenue from merchant marine activities or shipyards an income tax (ISRL) reduction amounting to 75 per cent of the amount of new investment in the purchase or lease of new vessels or navigation equipment, new maritime security technology, and vocational training of their employees.

P. 123, para. 182

The INEA proposes fees for marine-related services. For commercial vessels, navigation fees are determined according to the vessel's gross tonnage. The principle of national treatment does not apply to the payment of such charges and navigation fees. **Vessels** listed in the RENAVE pay 50 per cent of the fee stipulated for the use of pilot services and 50 per cent of navigation fees. This percentage may be applied to foreign-registered vessels, but only on the basis of reciprocity. The same applies to fees for tug and berthing services.

P. 125-6, para. 198

The **air transport** subsector benefits from a number of tax incentives. The Civil Aviation Law grants a five-year exemption (until the end of 2006) from all duties on imports of civil aircraft, accessories and parts, and all vehicles required for the operation of aircraft. Imports of materials and equipment, accessories, and parts to be used for extinguishing fires and air rescue are duty-free. Persons earning revenue from the supply of public air transport services are granted an income tax reduction over five years amounting to 75 per cent of new investment in modernizing fleets or purchasing aircraft provided that they meet environmental protection requirements, or for investment in incorporating new technology in the services they supply, or in training technical aviation personnel. Aircraft to be used for public air transport purchased until the end of 2006 are also exempt from the capital assets tax.

Hong Kong, China – WT/TPR/S/109

P. 35, para. 78

There do not appear to have been any major changes in the HKSAR's income tax system, and particularly the use of tax incentives, since the previous Review, with taxes on profits and earnings accounting for almost 60% of total taxes collected in fiscal year 2000/01 (Chapter I). The income tax system retains low statutory tax rates and few tax incentives. Statutory tax rates of 16% and 15% are levied on the profits of corporations and unincorporated businesses, respectively.[12] Effective tax rates on profits tend to be lower than statutory rates, however, as a consequence of incentives, especially

[12] There is also a Salaries Tax calculated on a sliding scale that cannot exceed the standard rate of 15% of total income.

accelerated depreciation; for example, companies may immediately write off 100% of expenditure on manufacturing plant and machinery and on computer software and hardware. Moreover, profits earned from **international shipping**[13], and from **airline services**[14], and interest income from deposits placed locally with all authorized banking institutions by corporations (except financial institutions) and individuals are exempt from tax. Exemptions on property tax are also provided. Owners of land or buildings are charged property tax at the standard rate of 15% (less an allowance of 20% for repairs and maintenance); however property owned by a corporation carrying on a business in Hong Kong, China is exempt from this tax.[15] The authorities considered that during 1998/99 and 1999/00 the most important tax incentives were those affecting profits and salaries taxes; taxes forgone as a consequence of these incentives amounted to HK$31.2 billion. No breakdown was available on the amounts of revenues forgone as a consequence of individual tax incentives, such as accelerated depreciation and the other exemptions.

<u>P. 50, para. 2</u>

Sectoral policies have undergone little change since Hong Kong, China's Review in 1998. By and large, Hong Kong, China continues to follow a policy of minimal intervention, allowing market forces to allocate resources. The authorities maintain that no "winners" are picked nor "losers" salvaged, and that Hong Kong, China does not discriminate for or against particular sectors. The Government's role is that of "proactive market enabler" or "facilitator" maintaining an institutional framework conducive to market development, providing the required infrastructure and support services, fostering applied research and development together with technology transfer, and investing in human capital in all sectors of the economy. Nevertheless, the 2002-03 Budget Speech states that Hong Kong, China needs to focus on "high-value-added" economic activities and lists four areas as of particular importance: financial services, logistics, tourism, and producer and professional services.[16] In addition, the Government takes "appropriate measures" to secure projects deemed beneficial to the economy when the private sector is not ready to invest in them. Some measures are aimed at certain sectors. For example, a 100% immediate write-off for tax purposes is accorded for expenditure on machinery and plant related to manufacturing processes as well as computer hardware and software, and there is a reciprocal tax exemption for income earned from **shipping services**. Furthermore, over the next few years the Hong Kong Government will waive the Mass Transit Company's (MTRC) dividend payments to help it fund a **rail-link** to the Disneyland amusement park.[17]

El Salvador – WT/TPR/S/111

<u>P. 54, para. 96</u>

The Export Reactivation Law grants a refund of 6% of the f.o.b. value of the exports to natural or legal persons, whether Salvadoran or foreign, owning enterprises that export Salvadoran goods and **services** outside the Central American area, except for exports of metallic and non-metallic mineral products derived from the exploitation of the subsoil. In principle, traditional products such as coffee, sugar and cotton, are not eligible for this refund; however, subject to the approval of the Ministries of Finance and of the Economy, coffee and sugar with at least 30% of local content

---

[13] Shipping profits are exempted from tax when they are derived from: international operations of a Hong Kong registered ship; the international operation of a ship by a non-resident shipowner from a country that provides tax exemption in respect of uplifts by a non-resident shipowner from Hong Kong, China; and the international operation of a ship by an enterprise of a country with which Hong Kong, China has signed an agreement for the avoidance of double taxation on/covering shipping income.

[14] Profits earned from airlines originating in a country that has a double taxation agreement with Hong Kong, China.

[15] Inland Revenue Department (undated).

[16] The Government of the HKSAR (2002a).

[17] *Financial Times,* 10 July 2002.

(calculated on the basis of the value added generated in the factory) may benefit from it (for "organic" or "gourmet" coffee and refined sugar the refund applies irrespective of local content). Between 1998 and 2001, Salvadoran exports benefiting from the refund accounted for between 7.6% and 8.2% of total exports (Table III.7).

P. 55-56, para 101-103 and 106

Domestic or foreign enterprises engaged in the production, assembly (*maquila*), manufacturing, processing or marketing of goods and services may be established and operate in a free zone. The new law also explicitly mentions the provision of **services linked to international and regional trade (such as storage, packing and repacking, re-exportation, grouping of packages, the distribution of goods and other related or complementary activities)** as an activity eligible for the benefits available in free zones.

Where enterprises satisfy the criteria described above but for technical reasons are not located in free zones, they may apply to the Ministry of the Economy to have their establishment declared an Inward Processing Warehouse (*Depósito para Perfeccionamiento Activo*, DPA), provided that they are situated in an industrial, agricultural or agro-industrial zone, their facilities meet the appropriate industrial, occupational and environmental safety requirements, and they have a stable administrative and financial structure.

The advantages available to users who set up in free zones or inward processing warehouses include exemption from:

- Import duties on machinery, equipment, tools, parts and accessories, implements, etc. needed to carry out the activity encouraged;

- import duties on lubricants, catalysts, reagents, fuels and any other consumables needed for the productive activity;

- income tax during the period in which they carry out their operations in the country, reckoned from the tax year in which the beneficiary began operating;

- municipal taxes on company assets and net worth, for the period in which they carry out operations in the country, from the first year of operation;

- tax on the transfer of real property, when purchasing real property to be used for the activity encouraged. (...)

The tax concessions and incentives do not apply to certain activities, in particular: hotels; travel agencies and airlines; air, sea and land transport; financial activities; fishing, except for tuna fishing; mining; and the production and marketing of sugar, ethyl alcohol, and any product that contains them.

P. 81, para. 44-45

The legislative framework for the sector does not include provisions concerning end-consumer subsidies; however, the Government does grant direct subsidies focused on low-income users. In view of the shortage of resources, up to March 2001 the revenues of the public enterprise CL were indirectly tapped through discounts granted by that enterprise on invoices for **energy** sales to **distributors**. Since April 2001, these subsidies have been covered by the State through the National Electricity and Telephony Investment Fund (Fondo de Inversión Nacional en Electricidad y Telefonía, FINET) (see Section (iii)).

P. 95-96, para. 97

The National Electricity and Telephony Investment Fund (FINET) was established for the purpose of facilitating access to electricity and telephone services for rural communities and low-income families. FINET's functions include subsidizing telephone infrastructure and the supply of **telephone services** (and of electrical energy, see Section 4) in rural and low-income areas, provided that they benefit the community.[18] The Law provides for the Fund to subsidize these activities using the income obtained as a result of investing its resources. The assets of the Fund consist mainly of contributions from the State, 98.5% of the resources generated by granting concessions to use the radio-frequency spectrum, and all the resources produced by concessions for generating geothermal and hydroelectric power. In January 2002, 18 FINET-funded projects awarded by auction, with a total value of US$1.64 million, were in progress, together with 57 projects awarded by competition for funds (*concurso de fondos*), with a total value or US$5.54 million.

Canada – WT/TPR/S/112/Rev1

P. 73, para. 180

The Ontario Sound Recording Tax Credit is a 20% refundable tax credit for certain expenditures incurred by a qualifying corporation in the production of "eligible Canadian **sound recordings**" by "emerging Canadian artists or groups".[19]

P. 115, para. 82

In November 2000, the CRTC established a national revenue-based contribution collection mechanism effective 1 January 2001, whereby companies would contribute a percentage of their revenues that are considered to be contribution-eligible (Decision 2000-745). The purpose of the contribution is to fund local **telephone service** in high-cost areas in Canada (i.e. rural and remote areas). This mechanism was to be reviewed and finalized during 2002.[20] The authorities have indicated that, aside from subsidies to fund services in high cost areas, cross-subsidies have been eliminated in the telecommunications industry, and that the competitive services offered by the incumbent operators are not being subsidized by other monopoly or near-monopoly service offerings.

P. 122, para. 113

Following the 11 September 2001 attacks, the Canadian Government announced a Can$160 million programme to compensate Canadian **air carriers** for losses resulting from the closure of Canadian airspace; the authorities indicated that Can$99.3 million were actually disbursed, of which Air Canada received Can$69.8 million.[21] The Government has also provided indemnity for third-party aviation war-risk liability following the cancellation of this coverage by insurance underwriters. The programme was extended until 1 March 2003.

---

[18] Electricity consumption associated with water extraction and pumping projects and with buildings used for providing educational and health services, if community owned or administered, are considered to be of benefit to the community.

[19] Department of Finance online information. Available at: http://www.fin.gc.ca/taxexp/2001/taxexp01_e.pdf

[20] See: Telecom Decision CRTC 99-16 available online at: http://www.crtc.gc.ca/archive/Decisions/1999/DT99-16.htm; and Decision CRTC 2000-745, at: http://www.crtc.gc.ca/archive/Decisions/2000/DT2000-745e.htm.

[21] Canada newswire on line information. Available at: http://www.newswire.ca/releases/April2002/18/c5924.html.

Burundi – WT/TPR/S/113

P. 43, para. 81-82

The Free Zone Law provides for four types of free zone enterprise: agricultural and stock-breeding enterprises, industrial and handicraft enterprises, commercial enterprises; and service enterprises. Some activities do not qualify for the free zone regime: trade in precious metals and mineral ores; exploration, mining, enrichment, refining, buying and selling of mineral ores; and coffee-related activities such as roasting. One of the conditions of eligibility is export of the entire output (in the case of commercial firms, import and re-export of imported goods in an unaltered state or after packaging). The generation of "substantial" value added (of at least 35 per cent) is a condition applicable to agricultural and stock-breeding, industrial and craft enterprises in free zones. The service enterprises eligible for free zone enterprise status are those intending to provide one or more of **the following services:** assembly of computer equipment; software manufacture; packaging for export; printing and publication; production and distribution of cinematographic films; sound recording; and organized tourism services. Both foreign and domestic investors may obtain free zone status. An advisory commission set up by the Ministry of Trade and Industry is responsible for free zone enterprises.

The tax benefits granted by the decree-law are total exemption from existing or prospective indirect taxes, from registration fees and stamp duties, and from profits tax during the first ten years of operation, followed by a regime in which the taxation rate is reduced to 15 per cent instead of the standard 40 per cent rate. Any free zone enterprise that has created more than 100 permanent jobs for Burundian nationals is subject to a 10 per cent profits tax, and any free zone enterprise which reinvests at least 25 per cent of the profits earned over the last ten years of its existence pays 10 per cent less than the standard rate. Commercial free zone enterprises are liable to a 1 per cent turnover tax, this rate being reduced to 0.8 per cent in cases where the enterprise creates more than 20 permanent jobs. The dividends distributed to shareholders are exempt from all taxes during the lifetime of the company. Free zone enterprises are also exempt from the 3 per cent tax on the wages of foreign workers.

P. 87, para. 110

Bujumbura's **hotels** have a capacity of 1,067 beds. The State intervened in this sub-sector by participating in the capital of the Novotel and Source du Nil hotels and the Lake Tanganyika Club. The Club has been privatized, while the Source du Nil is in the process of privatization. The Government has signed an agreement with the hotel chain Accor for the management of Novotel. Outside Bujumbura, there are hotels at Kayanza, Ngozi, Gitega, Muyinga, Cankuzo and Kirundo. The national park of Ruvubu has its own eco-tourism camp. Foreign nationals must pay their hotel bills either in foreign currency or in Burundi francs purchased through official channels (a certificate must be provided by the bureau de change). Prices can be set freely. The Government is not systematically evaluating the performance of the hotels and has not yet developed a hotel classification system.

Southern African Customs Union – WT/TPR/S/114

P. A1-96, para. 50 (Botswana)

Although there are no universal service provisions in the **Telecommunications** Act, BTA is responsible for implementing government policy on such services and on special tariffs for disadvantaged users. The Government is currently formulating a new universal service policy to replace existing subsidies paid annually to BTC, under the Rural Telecommunications Programme, to provide basic services to rural users. BTA is developing a programme based on a universal service fund, and is proposing legislative changes.

P. A1-103, para. 80 (Botswana)

Tourism became eligible for government support under the Financial Assistance Policy (FAP) in 1996 (Financial Assistance Policy (FAP-Tourism), 1996). However, this scheme has recently been discontinued and replaced by the Citizen Entrepreneurship Development Agency (CEDA), which also covers tourism.

P. A2-147, para. 57 (Lesotho)

In 2002, the Lesotho Government enacted the Tourism Act, 2002[22], which establishes the Lesotho Tourism Development Corporation (LTDC), a 51% government-owned corporation with wide powers, including the designation of **tourism** development areas and provision of financial assistance in the shape of grants, loans or tax exemptions for tourist development. The LTDC is chaired by the Director of Tourism and has a Board comprising representatives of Government, local associations, and the private sector.

P. A3-180, para. 39 (Namibia)

Farmers benefit periodically from emergency drought relief. In 2002/03, for example, N$1.5 million was given to livestock farmers north of the veterinary Cordon Fence in the form of a subsidy of N$150 per head for cattle delivered to the abattoirs. The Meat Board administered the scheme on behalf of the Government. Drought relief costing N$36.4 million was provided from April 1996 to November 1998,[23] and again in 1998-99 at a cost of N$2.1 million.[24] Marketing incentives (subsidies) were paid to farmers at N$15 or N$100 per animal sold, depending upon size, to encourage farmers to reduce stock levels. A restocking scheme to replace breeding animals sold during the drought also paid N$13 or N$70 per head. **Transport** subsidies of N$3.77 per kilometre were paid to contractors transporting animals to markets.

P. A3-202, para. 62 (Namibia)

After announcing in 1999 that new entrants would be allowed by 2000, the Government extended the timetable to 2004 at the latest, when the telecommunications market would be fully opened. Namibia is a founding member of the Telecommunication Regulators' Association of Southern Africa (TRASA), inaugurated in September 1997 among SADC nations.[25] The Government approved a Telecommunications Policy and Regulatory framework in 1999 along the lines of the SADC Protocol on Transport, Communication and Meteorology, and the Model Regulatory Framework for Telecommunications. From 2002 until 2004, the Government may defer competition in any market segment for socio-economic reasons. The Government will establish a Universal Service Fund to finance universal services, such as basic **telephone services** in rural areas. All telecommunications equipment should comply with the National Operators Network and have type approval from the Namibian Communication Commission.

[22] Act No. 4 of 2002.
[23] WTO document G/AG/N/NAM/7, 12 July 1999.
[24] WTO document G/AG/N/NAM/11, 12 May 2000.
[25] Other founding members are Botswana, Mozambique, South Africa, Tanzania, and Zambia.

P. A4-283, para. 81 (South Africa)

Overall policy in road transport is the responsibility of the DoT. The planning, construction, and maintenance of roads and bridges, other than those under SANRAL or local governments, are the responsibility of the provincial governments. Streets are the responsibility of metropolitan, district or local communities. The bulk of the road and street system is financed by national and local taxes, but SANRAL operates 600 km of state toll roads, and has concessioned 1,300 km to private consortia which toll those roads. While legislative and executive powers for public transport are a provincial competency, the DoT is responsible for policy formulation, monitoring, and strategic implementation. The DoT is currently working on redesigning the subsidies scheme for public transport, so as to redress the current practice of paying subsidies to **buses and commuter rail**[26], to the exclusion of the taxi industry, and of subsidizing only about 35% of the commuting public. The National Land Transport Transition Act (Act No. 22 of 2000)[27], provides for a new system of 'permissions' to replace permits for taxi and bus transport, and is meant to lay the foundation for a fully integrated, long-term, user-orientated land transport system. Both DTI and DoT are engaged in a major initiative to recapitalize the **taxi** fleet.

P. A4-284, para. 86 (South Africa)

The Industrial Development Corporation (IDC) currently provides medium-term finance in the form of loans, suspensive sales, equity and quasi-equity for the development and expansion of the tourism industry (Table AIII.1). Also, the Department of Trade and Industry (DTI) provides the subsector with the Small and Medium Enterprise Development Programme (SMEDP)(Chapter III(4)(ii)). According to the authorities, other than exchange control and immigration regulations, there are no barriers to foreign entry.

Table AIII.1
Incentive schemes, January 2003

Name of scheme	Objective	Access criteria	Description
(...)			
Capacity Building Support for Retail Finance Intermediaries (RFIs)	To provide capacity building support to new RFIs to initiate a loan portfolio and to assist existing RFIs to expand their loan portfolios.	To qualify, an RFI must: - be legally constituted; - have clearly defined SMME target markets; - have sound accounting and financial systems; - have sound internal organizational guidelines, policies and procedures; - have capacity to carry out current and proposed projects; - have clear and achievable short and medium term objectives.	Support will be structured around the capacity needs to the RFIs. The grants range from R 10 000 to R 500 000.
(...)			
Seed Loans for Retail Finance Intermediaries (RFIs)	To provide initial capital to new organizations to initiate their portfolio, and to fund operational expenses over a predetermined period.	To qualify and RFI must: - be legally constituted; - have clearly defined SMME target markets; - have sound accounting and financial systems; - have sound internal organizational guidelines, policies and procedures; - have capacity to carry out current and proposed projects; - have clear and achievable short and medium term objectives; - have matching funds of at least 15% of envisaged operating expenses.	The amount ranges between R 50 000 and R 20 million. Seed loans are converted to grants once mutually agreed upon performance criteria are met.

Source: Department of Trade and Industry online information. Available at: http://www.dti.gov.za/review.asp?iSDivID=143&iEvent_ID=172

[26] In the Department's budget for 2002/2003, the allocation for buses and rail amounts to R 37 million (National Department of Transport, 2002b).

[27] This has been amended by the National Land Transport Transition Amendment Act (Act No. 31 of 2001).

New Zealand – WT/TPR/S/115

P. 77, para. 36

New Zealand grants subsidies to **education, broadcasting, film production, land transport, air transport, business, and tourism services**.[28] Most domestically produced services, with the exception of some financial services, are subject to the GST. Financial services, with the exception of most insurance services (GST does not apply to life insurance and reinsurance), are exempt from GST because of the difficulty of levying the GST on this type of service. This exemption is under review and the proposal is that the business-to-business supply of financial services will be zero-rated instead of exempt.[29]

Morocco – WT/TPR/S/116

P. 27, para. 75

Exporting enterprises are exempt from corporation tax (IS) and the general income tax (IGR) for a period of five years, after which there is a 50 per cent reduction in these taxes. For enterprises exporting **services, including hotels**, the exemption or reduction only applies to turnover in foreign currency. Enterprises established in prefectures or certain provinces covered by a decree and handicrafts enterprises are eligible for a 50 per cent reduction in the IS or IGR for a period of five years.

P. 58, para 131

The 1995 Investment Charter gave investors additional benefits (Chapter II(6)). In 2000, the Government also established the Hassan II Fund for economic and social development[30] which, *inter alia*, promotes investment in certain industrial sectors.**[31]** It contributes up to 50 per cent of the purchase price of industrial land and up to 30 per cent of the cost of building business premises.[32]

P. 87-88, par. 101-102

In view of **tourism**'s importance, the Government is seeking to promote investment, for which benefits are available under the Investment Charter, the Hassan II Fund, the Finance Laws, and special provisions (Table IV.5). A reduction in VAT for hotels is under consideration.

On 10 January 2001, a framework agreement was signed between the Government and the General Confederation of Moroccan Enterprises (CGEM) reaffirming that tourism was a national priority and defining several objectives for the coming decade, including an increase in the number of

---

[28] For a full description of these programmes see WTO document S/WPGR/16/Add.2,23 July 1997.

[29] GST and Financial Services [Online]. Available at: http://www.taxpolicy.ird.govt.nez/publications/files/html/gstfinserv/cl.html [20.11.2002].

[30] Decree No. 2-00-129 of 16 March 2000 establishes the trust fund No. 3.1.04.04 called the "Hassan II Fund for economic and social development"; Dahir No. 1-02-02 of 29 January 2002 enacts Law No. 36-01 creating the Hassan II Fund for economic and social development and its implementing Decree No. 2-02-93 of 12 March 2002.

[31] For example textiles (spinning, weaving and finishing); electronics; clothing and knitted and crocheted articles; automobile sub-contracting (manufacture of automobile components and precision engineering); leather; **tourism**; fishing; **environmental protection through the treatment, recycling and industrial use of waste**.

[32] The contribution to the cost of the land is based on a maximum price of DH 250/m^2 and the cost of building on a maximum cost of DH 1,500/m^2. The contribution may be 100 per cent if it only concerns purchase of land.

tourists to 10 million by 2010. The implementation of these objectives has been codified in the Implementation Agreement signed on 29 October 2001, which constitutes the operational charter for the new tourism policy (called "Vision 2010").[33] The following are some of the measures taken to achieve the objectives: liberalization of land ownership and State participation in the cost of purchasing land (through the Hassan II Fund); tax exemptions and simplification; better training and a more professional approach in tourism-related occupations; facilitation of access to financing; increased resources for promoting tourism; restructuring of the Moroccan National Tourism Board (ONMT)[34]; availability of special financing for the renovation of hotels; liberalization of air transport; and the creation of a strategic steering committee. At the legal level, two decrees have recently been adopted on the classification of hotels and the status of tourist facilities; a new text regulating tourist transport, independently of the text on passenger transport, is under consideration.[35]

Table IV.5
Indicative framework for investment in tourism

Taxes	Description
Registration tax	Reduction in the fees for establishing tourism companies, with a rate of 0.5 per cent for registration duties. Exemption from registration fees for purchase deeds for land to be used for investment projects within a maximum period of 36 months. Reduced rate of 1 per cent for registration fees for emphyteutic leases on properties to be used for hotels and accessory buildings. Reduced registration fees for the sale of businesses.
Customs duties	Exemption from customs duties for investment of DH20 million or more under agreements concluded with the Government.
IS and IGR	Total exemption from IS or IGR on the part of the taxable base corresponding to the turnover of hotel companies in foreign currency over a period of five years and a 50 per cent reduction as of the sixth year. Reduction of 50 per cent in the IS for five years for all companies setting up in the following provinces *inter alia*: Larache, Nador, Tangiers, Asilah, Tetouan. Reduction of 50 per cent in the IS, without any time limit, for any company setting up in the province of Tangiers, which can be combined with the aforementioned benefits.
Other benefits	Free convertibility guaranteeing foreign investors total freedom to transfer tax-free profits (capital, capital gains and income). Total exemption from the business tax and the urban tax for a period of five years for investment in creating an enterprise and for any additional investment. Reduction of 100 per cent on dividends and other yields from holdings received by companies. Reductions and exemptions for capital gains and profits made when disposing of or selling fixed assets. Ceiling of DH50 million for the basis used to calculate the rentable value of taxable investment.

Source: Information provided by the Moroccan authorities.

P. 93, para. 120

In order to lower transport costs, the Government has granted several tax benefits, for example, exemption from VAT, with the right to deduction, for **international transport operations and the supply of related services**; exemption from VAT for the import of motor coaches, lorries and capital goods needed for TIR activities; exemption from VAT, with the right to deduction, for the purchase of motor coaches, lorries and related capital goods; imposition of a minimum customs tariff (2.5 per cent) on imports of trailers for the transport of textiles and clothing products for export;

[33] "Vision 2010" fixes precise targets, for example, reaching a figure of 10 million tourists by 2010, the provision of 80,000 additional rooms, DH30 to 40 billion in investment in hotels, generation of DH80 billion in foreign currency earnings annually, and the creation of 600,000 new jobs.

[34] A draft law on the restructuring and organization of the ONMT has already been prepared.

[35] Decree No. 2-01-186 of 5 March 2002 amending and supplementing Decree No. 2-81-471 of 16 February 1982 establishing classification of tourist facilities, and Decree No. 2-02-640 of 9 October 2002 implementing Law No. 61-00 on the status of tourist facilities.

refund of VAT on diesel fuel to public road transport companies; and extension of the deduction of VAT on diesel fuel to enterprises engaged in the road transport of goods on their own account.

P. 98, para. 149

An offshore financial centre, which is composed of **banks and portfolio management companies and holdings**, is situated in Tangiers. Only subsidiaries and branches of well-known international banks, with minimum capital or allotment of US$500,000 may be set up there. Offshore banks are exempt from registration and stamp duty when constituting or increasing capital or purchasing property for leasing. They are also exempt from VAT on the purchase of capital goods and supplies needed for conducting their activities, duties and taxes on the import of equipment, furniture and capital goods needed for their operations. Dividends paid out to shareholders, interest on customers' deposit accounts and investments and on loans granted by offshore banks are also exempt from levies. Offshore banks benefit from optional imposition of corporation tax (IS) for the first 15 years following the date of issue of approval at a rate of 10 per cent, or a flat rate tax fixed according to the equivalent value in DH of US$25,000, free of any other tax on profits or revenue; for offshore holdings, the flat rate tax is the equivalent in DH of US$500 for the first 15 years after their establishment; after that period, they are subject to IS according to the ordinary law regime.

Indonesia – WT/TPR/S/117

P. 31, para. 48

Investment incentives apply to all, including foreign, investors. They include duty and VAT concessions on imported inputs and capital goods, and additional incentives for export-oriented investment as well as investment in certain regions (e.g. eastern Indonesia). Special investment incentives, such as income tax, value-added tax, and luxury tax exemptions, may also be approved by BKPM on a case-by-case basis.[36] The criteria for granting tax holidays, of up to eight years, for new investors in designated "pioneer" industries, such as capital goods, **sea and air transport**, and agri-businesses, were clarified in 1999[37]; these measures were largely eliminated under the IMF package in January 2000.

P. 85-87, para. 69-71

The Government has acquired equity in recapitalized private **banks**: four banks taken over by IBRA and seven joint national domestic banks (Table IV.3).[38] All seven state banks also needed substantial recapitalization and restructuring; four of them (Bank EXIM, BDN, BBD, and Bapindo) were merged to become Bank Mandiri in September 1998.[39] State ownership of banks has increased substantially, and now dominates the sector (almost 85% of total third-party bank liabilities and three-quarters of the sectors' assets at end 2001). State bank divestment has lagged. It was initially due to be completed by end 2001 with BCA and Bank Niaga being divested in 2000; at end 2001, only 32.5% of BCA had been divested (10% to the public).[40] However, in 2002, IBRA sold a 51% stake (out of a total state share of 97.2%) in Bank Niaga for Rp 5.6 trillion to a joint-venture, and 40% (out of total state share of 70.3%) of BCA. Bank Bali was also merged with four weak recapitalized banks (Bank Universal, Bank Patriot, Bank Prima Express, and Bank Artamedia) to form Bank Permata in September 2002. In early 2002, the Government presented a comprehensive plan to Parliament for

[36] U.S. Embassy Jakarta (2001a).

[37] Presidential Decision No. 7, Evaluation Criteria for Taxation Facilities in Particular Industrial Fields.

[38] Of the 13 banks taken over by IBRA, nine were merged with Danamon in 2000, and BCA, Niaga, and Bali were recapitalized.

[39] The other state banks (BNI, BTN, and BRI) have continued operations subject to recapitalization and restructuring. The four state banks accounted for some half of total banking assets at end 2001.

[40] Bank Bukopin was fully divested in late 2001 by the original owners exercising share option rights.

divesting remaining banks by 2004, including majority stakes in Bank Lippo and Bank Danamon, and of 30% of Bank Mandiri, in 2002.[41] The Government's latest timetable, announced in November 2002, is to divest at least 51% of Bank Danamon in early (March) 2003 by placement with a strategic partner, and to sell (as yet unspecified) shareholdings to the public in Bank Lippo, Bank Mandiri, and Bank International Indonesia.[42]

P. 95, para. 102

The Directorate General of Land Communications (Ministry of Communications and Information) is responsible for road and rail transportation. Transportation of dangerous goods, special goods, and heavy-duty equipment is regulated, including by technical requirements. Transport border crossings were informally established with Malaysia, Brunei Darussalam, and Papua New Guinea in 2002. Transport border crossing regulations apply to both goods and passengers, and cabotage restrictions apply. Foreign investment is prohibited in public transport (taxi and bus services). The Government subsidizes **passenger rail and bus (economy) travel**, but intends to phase out such subsidies gradually.

P. 97, para. 110

International **tourism** is increasingly important for Indonesia, particularly for Bali where one third of the economy depends directly on tourists. Nationally, there were approximately 5.1 million visitors, accounting for 9% of total exports (in value terms), in 2001.[43] However, the industry has suffered severely from several recent developments, including the political upheavals during 1998 and the East Timor crisis in 1999. The industry was again hit by the 11 September 2001 events in the United States, which adversely affected global tourism, and the bombing in Bali in October 2002. Occupancy rates at hotels in major tourist destinations have declined recently from already low levels to around 30%; in Bali they dropped from 60% to below 10% after the bombing. The Government implemented various rescue (in late 2002), rehabilitation (first half of 2003) and normalization programmes (second half 2003). The rescue programme included special support arrangements and additional overseas export promotion. Bali tourism is beginning to rebound. Most foreign tourists, especially in Bali, are Japanese, Australian, or Taiwanese.

Niger – WT/TPR/S/118

P. 44, para. 64-65

Enterprises which invest in one of the activities covered by the Investment Code are eligible for tax and customs incentives during the investment phase and for five years during the operating phase, depending on the approval regime applicable – A, B or C (Table III.3). The sectors covered by the Code are production or processing of primary agricultural, livestock or fisheries products, production for export, mining or processing of quarrying products or mineral substances (access to which is subject to the Mining or Petroleum Codes, where applicable), **air transport**, and the **building of hotels or social housing**. Investment in the production of handicrafts[44], **cultural and**

[41] Parliament established a special committee to oversee each bank sale.

[42] Indonesia's latest agreement with the IMF included launching the sale of majority stakes in Bank Danamon (for conclusion by end 2002) and in Bank Lippo by July, to be finished December 2002. The majority divestment of Bank Niaga was to be completed by 15 September 2002 (see IMF, 2002d).

[43] World Bank (2002).

[44] Investment of CFAF 2 to 25 million; exemption from tax on industrial and commercial profits (BIC), the minimum fiscal tax (IMF), the business licence fee, and property tax.

artistic production[45], the building of hotels, schools and clinics[46], and technological innovation[47] may also be eligible for special incentives.

Approved investment enjoys exemption from duties and taxes on imports of material and equipment needed to set up a production unit, unless these are available locally. The benefits given during the operating phase are mainly fiscal because enterprises in Niger are subject to heavy and dissuasive taxation: the business licence fee (12 per cent), the minimum fiscal tax (1 per cent), and tax on industrial and commercial profits (45 per cent). Employers must also pay social contributions amounting to 15.4 per cent of the payroll. The benefits increase in proportion to the amount of the investment or the creation of jobs for Niger's nationals.

<u>P. 52, para. 95-96</u>

Niger has not notified the WTO of its various subsidy programmes, but according to the authorities it intends to do so. According to the information available to the WTO Secretariat, these programmes concern in particular the incentives under the Investment Code (section (4)(ii)), the sectoral regimes (mining, petroleum, **telecommunications**), and the agreement between the State and the company COMINAK, which exploits uranium.

Senegal – WT/TPR/S/119

<u>P. 48-51, para. 66 and 69</u>

The following are the sectors covered by the Code: agriculture, fishing, livestock breeding and related processing activities, storage and packaging of products of plant, animal or fish origin; manufacturing; prospecting, mining or processing of mineral substances; **tourism and other hotel-related activities; cultural activities by a small- or medium-sized enterprise[48]; services provided by small- or medium-sized enterprises in the areas of** health, education, assembly and maintenance of industrial machinery and equipment; port infrastructure work; installation and management of railways. The authorities are currently examining broader sectoral coverage for the Code, including telecommunications and "new technologies" such as call centres so as to give investors access to the guarantees and benefits of the Code. (...)

Enterprises approved under the Investment Code are eligible for a number of benefits under the common regime and one or more of the four privileged regimes (Table III.3). The four privileged regimes correspond to the four priority objectives of the Investment Code: the promotion of small- and medium-sized enterprises (SMEs); the upgrading of local resources through processing in Senegal; the development of technological innovation through research or the use of research findings; and the establishment of economic activities in regions in the interior of Senegal.[49]

---

[45] Exemption from duties and taxes, including VAT, except for the statistical charge, on cinematographic production equipment and building materials, tools and equipment produced locally or imported and utilized on one single occasion, where equivalent local products are not available, provided that they are used directly for the purposes of the investment.

[46] Minimum investment of CFAF 50 million; during the installation phase, exemption from duties and taxes, including VAT, except for the statistical charge, on materials, tools and equipment produced locally or imported where equivalent local products are not available.

[47] Fiscal rebate of two thirds of the cost incurred in purchasing or finishing the innovation and of BIC for the fiscal year following that in which the innovation is introduced.

[48] Defined in Article 17 of the Code. A small- or medium-sized enterprise is one that invests CFAF5 to 200 million, creates at least three jobs for Senegalese nationals, and keeps proper accounts.

[49] Zone A includes the city of Dakar and its surroundings; Zone B covers the rest of the Dakar region and the region of Thiès; Zone C includes the regions of Diourbel, Louga and Kaolack; and Zone D covers the regions of Fatick, Kolda, Tambacounda, Ziguinchor and Saint-Louis.

Although Senegal has not notified the WTO of any trade-related investment measure, one of the conditions of approval of projects under the privileged regime for the upgrading of local resources through processing in Senegal is that 65 per cent (in value terms) of intermediate consumption should be of Senegalese origin or that the cost of imported products should represent less than 35 per cent of the total cost of the products obtained after processing in Senegal. The Senegalese authorities indicate that there is no exhaustive list of enterprises benefiting from this regime.

Honduras – WT/TPR/S/120

P. 21, para. 31

Honduran legislation grants fiscal incentives for investment in certain **tourism** projects (see Chapter III(4)(v)).

P. 67-68, para. 157-161

As explained in section (3)(iv), Honduras has two schemes providing fiscal incentives for exporting goods. The Law on Tourism Incentives (Decree No. 314-98 of 18 December 1998), including its amendments, also offers a range of fiscal incentives to encourage national and foreign investment in the development of the tourism sector.

Enterprises eligible under the Law on Tourism Incentives are companies located in areas deemed by the Honduran Tourism Institute to have tourism potential, which are engaged in activities directly related to **tourism** and which provide services such as accommodation (e.g. hotels, lodges and time-share apartments); inward tourism; **air and water passenger transport**; **vehicle rental**; and **recreation**, with the exception of casinos, nightclubs or private clubs, discotheques, games rooms, cinemas or television rooms, billiard parlours, gymnasiums, saunas and the like, Internet cafés and teaching centres. **Convention centres** and Honduran craft workshops and **shops** are also eligible for incentives under the Law.

The Law on Tourism Incentives provides 10-year income tax exemption for projects that are "new", i.e. projects by Hondurans or foreigners "that do not involve expansion, remodelling, change of ownership, or the like".[50] Moreover, beneficiaries under the Law pay no duty or other taxes on imports of printed materials for the promotion of tourism projects or of Honduras as a tourism destination; new motor vehicles for sole use within the enterprise; new and used aircraft and boats; new goods and equipment needed for tourism construction and the launching of tourism projects (with a few exceptions); and replacement goods and equipment for a period of 10 years.

Expansion, remodelling or replacement projects carried out by established entrepreneurs whose activities fall within the scope of the Law are also eligible for the above benefits, with the exception of income tax exemption. The Law further provides that persons whose activities are not directly related to tourism but who invest in new projects involving the remodelling or expansion of convention centres or hotels may deduct up to 15 per cent of their investment returns for tax purposes over a period of 10 years.

The Ministry of Tourism authorizes the granting of benefits under the Law on Tourism Incentives. Those interested in making use of the Law must apply to the Ministry with full details of the project they wish to develop. Before issuing its final decision, the Ministry consults other government bodies, including the Honduran Tourism Institute.

[50] Article 5 of the Law on Tourism Incentives.

Bulgaria -- WT/TPR/S/121

P. 67, para. 88

"Free trade zones" were originally established in Bulgaria in 1987. The Customs Act of 1998 redefined them as "free zones".[51] Currently six such zones exist. Free zones are formally part of Bulgaria's customs territory but separated from it by fixed checkpoints. Import duty and VAT are not paid on imported goods entering free zones unless they are released for sale in Bulgaria, while Bulgarian goods may be stored in free zones without payment of VAT. Goods leaving a free zone may be exported or re-exported from Bulgaria or be brought into another part of the customs territory of Bulgaria. The perimeter and the entry and exit points of free zones are subject to supervision and control by the customs authorities. **Handling, storage, and warehousing** are the most common activities, but goods may be admitted to the free zones for inward processing or processing under customs control, as temporary imports, or under the normal import regime.

P. 70, para. 101-102

According to the authorities, state aid is provided for purposes of compensating high production costs in key economic sectors that have considerable social implications, such as the **energy and transportation sectors**, and for other social considerations, such as aid to the poor, producers in mountainous regions, employment promotion, and environmental protection.

In line with the Government's conservative fiscal stance, the amount of state aid offered has declined both in absolute and relative levels in recent years. As a percentage of GDP, state aid declined from 3.3 in 1999 to 0.7% in 2001. Similarly, direct subsidies have declined, from 2.5% of GDP to 0.6% in 2002. The mining and transport sectors have benefited the most from state aid; with assistance for the production of coal (29.5%) and provision of transport services (29.0%) accounted for almost 60% of the total in 2001.

Guyana – WT/TPR/S/122

P. 53-54, para. 84

Guyana applies a number of incentive schemes; some are applied across-the-board and are contingent on an investor meeting specific criteria or making certain investments. The incentives, include benefits for industrial estates, accelerated depreciation, flat business tax rate, export allowances, loss carryforward, construction allowance, and research and development allowances. Guyana also offers several sector-specific programmes. In this respect, tax and tariff incentive programmes are available to promote trade and investment in **tourism**, fisheries, mining, forestry, manufacturing, and agriculture (Table III.10). Locals and foreigners are treated alike with respect to these incentives.

P. 93-94, para. 157

In the 2002 Budget Speech the Government announced plans to enhance the contribution of the tourism sector through, *inter alia*, the abolition of the 10% room tax for tourism facilities that are deemed to be resorts.[52] The Government of Guyana is encouraging an increase in the number of hotel rooms and improvement in existing plant and other facilities in the **tourism** sector. To facilitate this

[51] The main legislation is Decree No. 2242 of 1987 (*State Gazette* No. 55/1987, amended in No. 153/1998); the Customs Act, 1998, Article 166-179 and its implementing regulation, Article 620-653; the VAT Act, the Excise Act, and their implementing regulations.

[52] Ministry of Finance (2002a), p. 50.

growth, the government has made available a package of incentives. This comprises mainly duty-free and consumption tax concessions for basic furnishings, plant, equipment, and building materials. In order to qualify for duty and consumption tax exemption an applicant must provide, *inter alia*, a project profile or business plan and an environmental impact assessment. Duty-free concessions will be limited to 25% of the value of the investment for refurbishing, and 50% of the value of investment for new facilities or expansion.

Thailand – WT/TPR/S/123

<u>P. 58-59, para. 84</u>

In August 2000, the BOI undertook various reforms in its investment incentive schemes[53]: (...)

- The BOI selected five targeted industries: agri-business, automobiles, fashion, electronics, and **high-valued services**[54]; these industries appear to be eligible for exemptions of import duties on certain machinery and a corporate tax holiday for eight years, irrespective of the location of the project.[55] (...)

<u>P. 79, para. 41</u>

Several government institutions were formed to help rehabilitate the financial sector. The Financial Sector Restructuring Agency (FRA), under the Ministry of Finance, was established in 1997 to determine the viability of 56 suspended debt-laden finance companies and to review their rehabilitation plans. These firms (with total assets of B 860 billion or 11% of the financial sector) were liquidated, and asset auctions completed in late 1999. The state-owned Asset Management Corporation, established in 1997, purchased some of these assets as "bidder of last resort"; its assets totalled B 25.8 billion at end of 2000. The Financial Institutions Development Fund (FIDF), established in 1985 to rehabilitate distressed institutions, was instrumental in taking over and re-capitalizing/restructuring troubled **banks**. It has also provided a blanket guarantee for depositors and non-subordinated creditors of every financial institution incorporated in Thailand since 1997. The authorities plan to establish the Deposit Insurance Agency (DIA) to operate a limited deposit insurance scheme when the economy and financial sector achieves sustainable growth and stability. Draft legislation establishing the DIA is being considered by the Ministry of Finance.

<u>P. 88, para.81</u>

Urgent tourism development measures, aimed at raising annual tourism earnings by B 50 million, were introduced in April 2001 to stimulate the economy. The package included preventing attractions from deteriorating, improved immigration procedures, and market promotion. The Committee for National Tourism Development, chaired by the Prime Minister, was formed in 2001 to prepare tourism plans and policies. Government promotion is directed at attracting long-stay tourists. The average length of stay of international visitors is eight days. The Government is revising the Hotel Act of 1935 and introducing a hotel grading system. The Board of Investment offers tax and other investment incentives for **hotels** with more than 100 rooms, and is considering

---

[53] According to Board of Investment Announcement No. 1/2543 (1/2000).

[54] BOI Bulletin No.68/45, 10 April 2002 "BOI Targets Five Industries For Proactive Marketing Campaign" [Online]. Available at: http://www.boi.go.th/english/focus/boi_pr_target_industries02.html.

[55] These incentives also seem to apply to enterprises engaged in other priority activities. Priority activities are: agriculture and agriculture products; technological and human resource development; public utilities and infrastructure; environmental protection; and targeted industries.

granting special privileges to foreign investors in certain types of accommodation, such as retirement homes.

Chile – WT/TPR/S/124

P. 54, para. 149

The Fund for the Promotion and Development of Remote Areas, instituted in 1980, has as an objective to contribute to the development of various provinces in Chile's extreme north and south by providing assistance to small- and medium-sized enterprises investing there. Funds are accorded only to producers of goods and services in the **construction**, machinery, equipment, special animal feed, and small-scale fishing industries. Annual individual investment must not exceed U.F. 50,000, equivalent to US$1.3 million. Funds granted under this programme may not be accepted together with any other public benefit granted for the same goods or services. Pursuant to Law No. 19.606 of 30 March 1999 the Fund contributes 20% of the cost of the investment or reinvestment in projects carried out until 31 December 2007. The amount paid out in 2002 was Ch$1,422 million, equivalent to US$2.3 million.

P. 81, para. 121

In 1994, the Chilean Government established the Telecommunications Development Fund to encourage improved telecom service to rural and low income areas. The original goal of the fund was to provide public telephone service to about 6,000 unserved localities, a target that was met over the five-year period 1995-99. After this objective was achieved, the government redefined the fund to support community telecenters, which offer various kinds of **communication services, including internet access**, to the public. An initial target is to install telecenters in about 90 municipal towns with over 8,000 rural inhabitants. By 2006, there would be telecenters in all 341 municipalities. The Fund is administered by Subtel and financed by contributions from the government budget.

Turkey -- WT/TPR/S/125

P. 68, para. 114

Few changes have been introduced to the overall Turkish investment incentive programme, which became region- rather than sector-specific in 1993.[56] The Programme for Incomplete and/or Operating Enterprises was abolished on 30 June 2001. There are two main investment encouragement programmes: the General Investment Encouragement Programme (GIEP), and Aids Granted to Small and Medium-sized Enterprises (SMEs) Investments. The purpose of these programmes is to encourage and orient investments, in order to reduce regional imbalances within the country, and create new employment opportunities, while using technologies with greater value added. To qualify for any of these programmes, potential investors have to apply for an investment incentive certificate, which is non-transferable. In addition, regional programmes, designed to address specific needs of under developed regions, are put into force for specified periods as necessary.

[56] Several incentive schemes run in parallel to the general investment aid programme. These include assistance provided to exporters (such as duty concessions, export finance, insurance, guarantee, promotion, and marketing assistance) (section (3)(v)), to the agriculture sector (including input subsidy payments), to the **energy** sector (such as subsidies for the production of hard coal), to **maritime** (tax incentives), and to **tourism** (including corporate income tax exemption). See Chapter IV for details.

P. 68-69 para. 116

Under the Aids Granted to SMEs, companies entitled to receive investment incentives are those: operating in manufacturing, agri-industry, **tourism**, **education** and **health**, mining, and **software** industries; employing up to 250 workers; and holding assets not exceeding TL 600 billion. The incentives are the same as under the GIEP, except that different ceilings are set for the amount of credit to be allocated and the interest rate to be applied depending on the regional location of the investment.[57]

P. 108, para. 98

The BSRP also aims to promote a healthier financial situation among private banks through the implementation of internationally accepted minimum capital requirements. In February 2002, the BRSA announced a new plan to recapitalize **banks** after a strict three-level audit of the 26 major private money deposit banks.[58] Prior to the audit, all banks have to switch to inflation adjusted financial statements. The next phase of the plan involves the possible use of public money but with incentives to maximize shareholders' contributions[59], as well as to merge with other banks. Furthermore, the plan seeks to accelerate new lending by requiring that a portion of any public funds be on-lent to non-related parties.

P. 114-115, para. 128

Special tax incentives are provided to Turkish investors in the maritime subsector. The wages of seafarers working on ships registered under Turkey's International Ship Registry are exempted from income tax and funds; and revenues gained from operating and transferring **ships** registered under Turkish International Ship Registry, are exempted from personal income and corporate income tax. Profits from non-operation activities are not covered by the exemption. Book profits resulting from sales of vessels can be deducted from the purchase price of the same kind of replacement vessels within three years and after deducting the realized depreciation amount.[60]

P. 116, para. 138

Turkey's railway system consists of over 10,000 km of track.[61] The share of railways in total transport has diminished over the years, to 4% of freight and 2% of passenger transport. The Turkish State Railways (TCDD), a state-owned enterprise affiliated to the Ministry of Transport (MT), has *de jure* monopoly in providing railway passenger and freight transport services. It owns and operates the whole **railway** system, together with seven ports that have rail access (i.e. Haydarpasa, Mersin, Iskenderun, Derince, Izmir, Samsun, and Bandirma). There are no private rail operators. TCDD has freedom to introduce fares on a market basis or to increase them, after verbal approval by the MT.

---

[57] The investment credit limit allocated to SMEs is TL 300 billion, with a 10% interest rate in priority development regions and 15% in other regions, and maturity of four years. The operational credit limit for SMEs is TL 120 billion, with a 15% interest rate in the priority development regions and 25% in other regions, and maturity of two years. With the investment credits, no repayment is made in the first year.

[58] The auditing stage was completed in mid-June 2002. The first two audits were made by major audit firms (the first chosen by the bank itself and the second by the BRSA), and the third by BRSA.

[59] Three banks were assessed to have capital needs: the administration of Pamukbank was assessed to have a capital deficit of US$2 billion as of December 2001, and was taken over by the SDIF; the capital of Sekerbank was increased by its shareholders; while Vakiflar Bankasi was given a subordinated loan amounting to TL213.3 trillion by the SDIF upon a resolution of the BRSA.

[60] Turkish International Ship Registry Law No. 4490 of 16 December 1999, Article 12.

[61] During 2001-05, the objective is to set up 185 km of new tracks, renew 1,800 km, and complete 180 km of signalling works and 160 km of electrification (Undersecretariat of State Planning Organization, 2001).

The construction of new railway infrastructure and ports is the responsibility of the Directorate General of Ports, Railways and Airports Construction of the MT. In 2002, TCDD received government subsidies amounting to TL 266.8 trillion for: track maintenance and repair, in accordance with Law No. 233 and TCDD's main statutes; uneconomic lines, under Decree No. 7-11254 of 23 January 1976; express trains; and **ferry traffic** on lake Van. Subsidies paid to TCDD totalled TL 197.8 trillion in 2001 (124% of TCDD's revenue for operational activities and 19% of total railway expenditure).

P. 118, para. 144

The Turkish Government remains active in the **tourism** subsector. It grants incentives for tourism investments in accordance with the Tourism Encouragement Law; provides infrastructure and public services for tourism; defines zones with high tourism potential; promulgates designated tourism centres or areas by decree; elaborates and approves land-use plans; conducts environmental controls; promotes the country abroad; carries out research and collects statistics; and provides vocational training. Local administrations are responsible for similar matters at the local level. Investors in the tourism sector also have access to incentives granted under the general investment aid programme (Chapter III(2)(iii)(d)).

United States – WT/TPR/S/126

P. xi, par. 26

As the United States is among the world's largest producers, exporters, and importers, domestic support although not targeted at exports may significantly affect trade. Assistance to domestic producers may take the form of tax exemptions, financial outlays, and credit programmes. Since the last Review of the United States, there have been sizeable financial transfers in **air transport** and agriculture. In air transport, government financial support was extended to U.S. carriers in the aftermath of 11 September 2001. In agriculture, the Farm Security and Rural Investment Act of 2002 expanded the coverage of marketing loan provisions; and introduced a counter-cyclical income support mechanism that, although not linked to current production, increases subsidies when commodity prices fall, and vice versa. The new legislation may thus further blunt the effects of market signals on production decisions, and runs the risk of large increases in assistance in the event of price falls. Under the new Act, government payments in 2003 were expected to approach the high level of 2001; such payments had declined substantially in 2002 when commodity prices increased and virtually no ad hoc emergency payments were disbursed.

P. 80, para. 212-213

Nine of the 50 programmes notified at federal level are in favour of agriculture; five federal programmes are in favour of the aerospace and aeronautic sectors. The **energy** sector was the recipient of the largest number of notified programmes (14), mostly geared towards energy conservation, although measures to encourage the development of domestic coal, oil, and gas resources were also notified. Six programmes applied to fisheries, including subsidies for fishing vessels, research and development in management of U.S. fisheries, and conservation of marine resources. Assistance to lumber and timber was also notified, as were five programmes to encourage the extraction and processing of mineral resources, including iron ore and steel. The subsidy notification also contains a description of the Emergency Steel Loan Guarantee Act of 1999.

P. 132, para. 127

Under the Capital Construction Fund (CCF) and Construction Reserve Fund (CRF), U.S. citizens owning or leasing vessels may obtain tax benefits to construct qualified vessels. The CCF provides tax-deferral benefits to **vessel operators** in U.S.-foreign commerce, Great Lakes, non-contiguous domestic trade, and U.S. fisheries. CCF vessels must be built in the United States and documented under the laws of the United States. The purpose of the CCF programme is to make up for the competitive disadvantage operators of U.S.-flag vessels face in the construction and replacement of their vessels relative to foreign-flag operators whose vessels are registered in countries that do not tax shipping income.[62] The CRF is a financial assistance scheme that provides tax deferral benefits to U.S.-flag operators; eligible parties can defer gains attributable to the sale or loss of a vessel, provided the proceeds are used to expand or modernize the U.S. merchant fleet.

<u>P. 134-135, para. 139-144</u>

In order to assist the U.S. aviation industry after the 11 September attacks, the U.S. President signed into law, on 22 September 2001 the Air Transportation Safety and System Stabilization Act (ATSSSA), which made available funds to compensate U.S. **air carriers'** losses suffered as a result of the attacks.[63] Under the Act, up to US$5 billion in compensation was authorized for direct losses incurred by air carriers as a result of any federal ground stop order issued by the Secretary of Transportation (or its continuation); and for the incremental losses by air carriers incurred beginning 11 September 2001 and ending 31 December 2001, as a direct result of the attacks. At the close of the programme on 31 December 2002, the DOT had transferred a total of just over US$4.6 billion to 426 U.S. air carriers.

In addition to the federal grants, the Act made available to airlines up to US$10 billion in federal loan guarantees.[64] The guarantees were to be allocated to airlines on a discretionary basis by the Air Transportation Stabilization Board, established for that purpose.[65] Borrowers had to submit their applications no later than June 2002. Approximately US$1.6 billion in loan guarantees has been committed; the only application pending as at October 2003, was that of United Airlines.

Two distinct programmes were established under the ATSSSA to help airlines meet increased insurance costs after September 2001. The two programmes require two separate transactions and may be in effect for different periods of time. Under the first FAA Aviation Insurance Program, the FAA provides, *inter alia*, indemnity for third-party aviation war-risk liability beyond US$50 million per occurrence, following the cancellation of this coverage by commercial insurance underwriters.[66] There is no aggregate limit to the overall disbursements, but the maximum per occurrence limit is twice the limit the carrier had in its war risk liability policy prior to 11 September 2001. Since November 2002, domestic airlines may, in addition to extended third party war risk coverage, obtain expanded coverage for war risk hull and passenger, crew, and property liability.

The second programme, also run by the FAA, consists, *inter alia*, of reimbursements to U.S. air carriers for the increase in the cost of insurance premiums, relative to the premium that was in effect at the beginning of September 2001. Payments for this support were to be made from a revolving fund established for this purpose.[67] Approximately US$60 million was disbursed for 30 days of additional war risk premium expense immediately after 11 September 2001. According to the authorities, no further payments were being made or contemplated.

---

[62] MARAD online information. Available at: http://www.marad.dot.gov/TitleXI/crf.html.

[63] The Act is available online at: http://www.treas.gov/offices/domestic-finance/atsb/hr2926.pdf.

[64] See for example U.S. General Accounting Office GAO (2001).

[65] The Regulations for Air Carrier Guarantee Loan Program are found in the Federal Register of 12 October 2001. Available online at: http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=2001_ register&docid=f:12ocr2. pdf.

[66] Information available online at: http://insurance.faa.gov.

[67] The legislation is available online at: http://apo.faa.gov/Insurance/49USC443.pdf.

Prior to September 2001, support to the U.S. air transport industry had been confined largely to the provision of federal subsidies for service to remote areas. The main programmes were the DOT's Essential Air Service (EAS) Subsidy Programme (under which approximately US$100 million were spent in 2002) and the grants provided to small communities under the Small Community Air Service Development Pilot Program (approximately US$20 million), under which funds were appropriated for the first time in FY 2002 (October 2001-September 2002). Under the EAS Program a community is eligible for subsidies if it is more than 70 miles away from the nearest medium or large hub airport, and if the service costs less than US$200 per passenger.

To cut costs after 11 September 2001, major airlines have retreated from airports in small and midsize cities. According to a recent GAO Study, new financial incentives granted by local governments since September 2001 have been the most effective instrument to attract airline services back to small communities.[68] These have consisted mostly of subsidies, revenue guarantees, and reduced airport fees.

<u>P. 139, para. 161</u>

The universal service provisions in the Communications Act of 1934 require common carriers, as defined under the Act, to provide access to **telecommunications services** at reasonable and affordable rates throughout the country, including rural, insular, and high costs areas, and to public institutions.[69] To finance this universal service, telecommunications companies must pay a percentage of their interstate end-user revenues to the Universal Service Fund. The contribution is revised quarterly depending on the needs of the universal service programmes. In the fourth quarter of 2003, this contribution factor was 9.2%. In 2002, universal service support needs totaled US$5.9 billion.

<u>P. 148, para. 199</u>

Government-sponsored enterprises (GSEs) are private companies established and chartered by the U.S. Government for public policy purposes in the **financial sector**. GSEs include: the Federal National Mortgage Association (Fanny Mae); the Federal Home Loan Mortgage Corporation (Freddie Mac); the Farm Credit System (Farmer Mac); the Federal Agricultural Mortgage Corporation; the Federal Home Loan Banks; and the Student Loan Mortgage Association (Sallie Mae), which is on a congressionally mandated track to rescind its GSE charter. While the benefits provided to the GSEs vary according to each GSE's charter, some common benefits include an exemption from state and local taxation and potential access to a back-up credit line with the U.S. Treasury. In addition, GSE debt is eligible for use as collateral for public deposits, for unlimited investment by federally chartered banks and thrifts, and for purchase by the Federal Reserve in open-market operations. GSE securities are not guaranteed by the U.S. Government, but they are treated as government securities for certain purposes under U.S. securities laws. GSE obligations are classified by financial markets as "agency securities" and priced at yield above those on U.S. Treasuries, but below those on AAA corporate obligations.[70] The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (GSE Act, P.L. 102-550) established the current regulatory structure for Fannie Mae and Freddie Mac; other GSEs are regulated under a different legal structure.

[68] See General Accounting Office (2003a).

[69] An explanation of the U.S. universal service regime is available online at: http://www.fcc.gov/wcb/universal_service/welcome.html.

[70] Congressional Budget Office (1985), and (2003b).

The Gambia – WT/TPR/S/127

P. 17-18, para. 17

Under the Investment Promotion Act, special incentives are available to encourage investment in **"priority" sectors and activities (Table II.2)**. In addition to investing in these sectors, other eligibility criteria are that: investment must be organized as a company or partnership under the Law of The Gambia; the minimum investment of fixed assets must be US$100,000 or the equivalent in local or any other freely convertible currency; and that investments are outside the free zones. Any investor satisfying the eligibility criteria may apply to GIPFZA for a Certificate of Special Investment. These certificates are valid for five years, and are renewable. In considering an application for a certificate for special investment, GIPFZA is required to carry out an appraisal of the proposed project or business to contribute to the achievement of the following objectives: (a) the generation of new foreign-exchange earnings or savings through exports, or import substitution, or service activities; (b) the use of local materials, suppliers, and services; (c) the creation of employment opportunities in The Gambia; (d) the introduction of advanced technology or upgrading of indigenous technology; (e) the contribution to locally or regionally balanced socio-economic development; and (f) any other objectives that the Agency may consider relevant for achieving the objectives of the Investment Promotion Act. It is not required for a project to meet each of these criteria. No specific benchmarks or objective indicators have been developed to date to assess the performance of a project or business against these desired objectives, giving GIPFZA a certain degree of discretion in awarding investment incentives.

Table II.2
Priority sectors and activities under the Investment Promotion Act

Sector	Qualifying activities
Agriculture	- Crops: groundnuts, cashew, sesame, cotton, cereals
	- Animal husbandry: livestock, poultry including meat processing, tannery, export of live animals
	- Floriculture and horticulture, agro-processing
Fisheries	- Aqua-culture: fish and shrimp farming
	- Fishing and fish processing at industrial level
Tourism	- Eco-tourism: national heritage and others
	- Up-country tourism: motels, tourist camps, sport fishing, river cruising
	- Hotel development for a 4 or 5 stars
Forestry	- Development of private/community forest parks agro-forestry plantation
Manufacturing	- Assembling and packaging processing
	- Foundry and forging
	- Light pharmaceuticals and cosmetics
Energy	- Electricity generation and distribution
	- Renewable energy sources: solar, wind, hydro-energy
Skills development	- Vocational training: carpentry, welding, masonry
	- Development of specialized skills: electronics, computing, others
Other services	- Financial services
	- Off-shore services
	- Health and veterinary services
	- River and air transportation
	- Information technology
Minerals exploration and exploitation	- Petroleum exploration: refer to Petroleum Act and regulations
	- Mining of precious stones and others: refer to Mineral Act.
Communications	- Transportation (land, sea, and air)
	- Communication equipment.

Source: Government of The Gambia.

P. 19-20, para. 23-25

In its capacity as administrator of free zones, the GIPFZA has developed criteria that all investors (regardless of the category to which they belong) must satisfy in order to benefit from free-zone incentives[71]:

- investments must be in **the following activities**: warehousing, breaking bulk, assembling, storage, grading, cleaning, mixing, labelling, packaging and repackaging, processing, manufacturing, telecommunication, information technology, energy, financial and offshore services, health and veterinary services, or transportation services;
- transactions are to be carried out in specified foreign exchange;
- activities must significantly add value to qualify finished products for conferment of origin status;
- investments must generate employment and train nationals;
- a substantial portion of output (the benchmark currently used by GIPFZA is 70%) must be exported to foreign markets, the remainder can be sold on the domestic market, in which case they are treated as imports; and
- investment must contribute positively to domestic capital formation.

Applications to operate within the free zone are submitted to GIPFZA, which is required to make a decision within a period of 30 days. Licences are granted for a period of not less than one year, and not greater than 30 years, and are renewable. GIPFZA may suspend, amend or revoke a licence if the licensee fails to carry out any authorized activity within six months of the issue of the licence; substantially ceases, for a reasonable length of time, its activities in the zone; or contravenes the provisions of the Free Zones Act or conditions attached to the licence. Appeals may be lodged with the Secretary of State responsible for trade.

Investment incentives generally take the form of customs duty exemptions on selected items, exemptions from various domestic indirect taxes, tax holidays, and a special scheme for accelerated depreciation (Chapter III(4)(i)). The incentives provided to free-zone investors take the form of tax and duty concessions or exemptions (Chapter III(3)(v)), and apply equally to all three classes of investor.

P. 43, para. 64

Amongst the criteria that The Gambia Investment Promotion and Free Zones Agency is required to take into account in granting incentives are: the capacity of the business under consideration to contribute to the generation of new earnings or savings of foreign exchange through increased exports; import substitution; and the level of local content (materials or services) of the goods to be produced or of the **services** to be supplied.

P. 81, para. 81

The Gambia's 1.3 million people shared 33,300 fixed telephone lines in 2000, i.e. a teledensity of 2.56 (Table IV.13), which was above the African average of 2.48, and well above the sub-Saharan Africa's average of 0.75.[72] Fixed line telephony services are provided by GAMTEL, a

---

[71] The criteria are not specified in the Free Zones Act itself. Please see online information. Available at: http://www.gipfza.gm/Free_Zones_/body_free_zones_.html

[72] ITU (2001).

public monopolist, with a subscriber base of 38,359 at end 2002.[73] The Permanent Secretary of the Department of State for Communication, Information and Technology (DOSCIT), and a representative of DOSFEA, are members of the GAMTEL board of directors. GAMTEL is also the Government's vehicle for the maintenance and expansion of the telephone network system, and for the development of fibre-optic cables and wireless telephone technology. GAMTEL does not receive government funding for its recurrent expenses. Recent capital expenditure plans for the maintenance and expansion of the telephone network is supported primarily by donor funds, and to a lesser extent government counterpart funding, and own funds. GAMTEL has begun the implementation of an expansion project, running from 2003 to 2007, and mainly financed by a grant of €15 million, which aims to significantly increase the number of fixed-line phones. GAMTEL currently pays an annual subvention of D3 million to The Gambia **Radio and Television Services**.

Sri Lanka – WT/TPR/S/128

<u>P. 54</u>

Table III.10
Export incentives

(a) Non-exhaustive list of incentives available to exporters

Beneficiary	Incentive	Policy objective
To direct/indirect exporters of non-traditional products and **services**[a] (...)	Concessionary income tax rate of 15% for 20 years commencing as of 1 April 1995	Encourage exports

a These include **ship repair, refurbishing of ship cargo containers**, and provision of computers and **software**.

(b) Incentives to export trading houses

Annual turnover (US$ million)	Income tax holiday				Import duty exemption		Exemption from exchange control
	Full	10%	15%	20%	Capital goods	Raw materials	
5-10	n.a.	5 years	Thereafter	n.a.	Yes	Yes	Yes
10-25	5% tax up to 5 years	5 years	Thereafter	n.a.	Yes	Yes	Yes
>25	0% tax up to 5 years	5 years	Thereafter	n.a.	Yes	Yes	Yes

Source: Government of Sri Lanka; and Board of Investment of Sri Lanka [Online]. Available at: http://www.boisrilanka.org/web/investinc_common.php?conID=1.

<u>P. 58-59, para. 103 (and Tables AIII.3 and AIII.4)</u>

Sri Lanka offers a wide range of tax incentives, notably tax holidays, primarily for investment purposes. In 2002, Sri Lanka notified a list of tax incentives available equally to national and foreign enterprises investing in Sri Lanka.[74] The 2002 Budget proposed the rationalization of tax incentives but not their elimination. The Government was committed to granting no new exemptions either under the Board of Investment (BOI) or Inland Revenue Department (IRD) regimes.[75] Under the IRD

[73] Strictly speaking, the Government's share in GAMTEL is 99%; while The Gambia National Insurance Company has a 1% share.

[74] WTO document G/SCM/N/74/LKA, 7 January 2002.

[75] Sri Lanka operates two distinct direct tax systems: the normal regime, and the other under the auspices of the BOI. However, moves appear to be afoot to amend the BOI Act so as to abolish this distinction.

regime, income tax exemptions are provided usually for five years. Despite this policy, there are still an array of tax incentives in place, which seem to overlap; some are contingent on export and investment performance (**Table AIII.3 and AIII.4**). These incentives are considered exceptions to the new policy, according to which, a "limited" number of incentives would remain in place. These were aimed at assisting non-traditional exports (i.e. others than exporters of tea, rubber and coconut), and sectors such as information technology, electronics, industrial tools, and food processing, as well as, investments exceeding Rs 500 million in specific services. There is also a 5-10 year income tax holiday for pioneering investment in power generation, transmission and distribution, and for the development of highways, sea and airports, railways, and water **services**. Upon expiry of the tax holiday, these enterprises will be subject to a 15% income tax.[76] The revenue forgone as a result of these tax incentives has not been assessed.

Table AIII.3
Investment incentives under the Board of Investment (BOI) regime, September 2003

Category	Qualifying Criteria			Incentives			
	Minimum investment (US$)	Minimum export requirement (% of output)	Full tax holiday[a]	Concessionary income tax	Import duty exemptions		Exemption from exchange control
				10%, 15%, 20%	Capital goods	Raw material	
(...)							
Export-oriented services	150,000	70	5 years	10% 2 years 15% thereafter 20% n.a.	Yes	Yes[b]	Yes
Small-scale infrastructure projects[e]	500,000	n.a.	5 years	10% 2 years 15% n.a. 20% thereafter	Yes[d]	No	As determined by the Board
IT related training institutes (min 300 students in IT related Training Institutes)	n.a	n.a	3 years	10% 2 years 15% thereafter if the industry is export oriented 20% thereafter if the industry is not export oriented	Yes	No	No
(...)							
Power generation, transmission and distribution	10,000,000	None	6 years	10% n.a. 15% thereafter 20% n.a.	Yes[d]	No	As determined by the Board
Development of highways, sea ports, airports, water services	25,000,000	None	8 years	10% n.a. 15% thereafter 20% n.a.	Yes[d]	No	As determined by the Board

a The tax holiday period will start from the year the enterprise begins to make profits or not later than two years of the date of commencement of commercial operations or production whichever is earlier, except for existing enterprises undertaking an expansion of its same location or new location.
b On raw materials used to produce exports.
d During the project establishment/implementation period
e Power generation, tourism and/or recreation, warehousing and/or cold storage, garbage collection and/or disposal, construction of houses (not less than 25 housing units in no more than 4 locations), construction of hospitals.
f If exports are less than 70% only during the project implementation period.
g IT enabled services includes call centre or contact centres, transcription (data entry), data centres, hosting centres, e-governance, related projects and any other related activity determined by the Board.

Source: Board of Investment of Sri Lanka [http://www.boisrilanka.org/web/investinc_common.php?conID=1 [04 April 2003] and Advanced Technology Incentive Scheme [Online]. Available at: http://www.gov.lk/imst/activities/advanced_technology/ index.html.

[76] IMF (2002c).

Table AIII.4
Investment incentives under the Inland Revenue Act

Category	Qualifying Criteria	Incentive: Exemption from Income Tax
(...)		
Companies engaged in: (...) - any project engaged in the provision of refrigerated transport services or cold room storage services	Company must be incorporated on or after 1 April 2002; or a company incorporated as a new undertaking prior to 1 April 2002; or a company incorporated after 1 April 2002 with a minimum investment of Rs 2.5 million; or Company is an investment of more than Rs 250 million	Five years (from the year in which the company starts making profits or no later than two years from the date that the company starts operations whichever is earlier)
Companies engaged in infrastructure development projects: - development of an airport, seaport, highway or railway; - development of an industrial park - development of a warehouse or store - provision of any sanitation facility or solid waste management system - power generation, transmission or distribution - development of water services - urban housing or town centre development	Company must be incorporated on or after 1 April 2002 with minimum investment of Rs 1,000 million Rs 2,500 million Rs 5,000 million Rs 7,000 million	Exemption period is for 6 years 8 years 10 years 12 years (from the year in which the company starts making profits; or no later than two years from the date that the company starts operations whichever is earlier)
Small-scale infrastructure facilities: - generation of power - tourism and recreation - warehousing and cold storage - garbage collection or disposal - construction of houses - construction of hospitals	Company must be incorporated on or after 1 April 2002 with minimum investment of Rs 10-50 million made within one year from incorporation	Five years (from the year in which the company starts making profits; or no later than two years from the date that the company starts operations whichever is earlier)
(...)		

Source: Government of Sri Lanka.

P. 60, para. 107

The need to support small and medium-size enterprises (SMEs) has been emphasized in the Government's industrialization strategy.[77] An SMEs Policy Unit has been established at the Ministry of Enterprise Development, Industrial Policy and Investment Promotion to help SMEs get installed and develop their businesses. Industrial parks are being created in the rural areas to cater to SMEs. The Export Development Board implements special programmes to support export-oriented SMEs. Under the Inland Revenue Act, tax incentives are also provided to small-scale infrastructure facilities engaged in, *inter alia*, power generation, **tourism and recreation, warehousing and cold storage, and construction of houses and hospitals**.

[77] A small-scale enterprise is defined as one with fixed assets not exceeding Rs 20 million; and a medium-size enterprise is defined as one with fixed assets above Rs 20 million but not exceeding Rs 50 million.

P. 60, para.110

In emergency situations the Government may offer relief packages. For instance, in 2001 a relief package was offered to the **hotel and tourist industry** to cover for temporary losses incurred after a terrorist attack on the international airport. The industry was granted a moratorium on the repayment of capital and interest from 1 August 2001 until 31 March 2002; the moratorium could be extended on a case-by-case basis. Other relief measures adopted during 2001 included removal of a 1% turnover tax on banking and finance; removal of import duties on essential raw materials; reduction of import duty on bagged cement to 15% and bulk cement to 10%; reduction of interest rates on loans in foreign currency to 6%; and the allocation of Rs 1 billion for drought relief.[78]

P. 106, para. 115-116

Passenger bus services are provided by private operators and state-owned regional transport companies (RTCs, also called cluster bus companies) under the Central Transport Board. RTC services account for about one third of the commuter bus market. RTCs are poorly managed and over-staffed (over 40,000 staff for 5,000 operating buses). Their operating losses rose by 55% in 2001, but fell by 9% in 2002, to Rs 2.2 billion. Government subsidies to RTCs totalled Rs 1.2 billion in 2002.[79] Private bus operators are disadvantaged by small operations and low government-set fares. A new bus-fare policy for private and public operators, adopted in 2002, replaced the ad hoc fare revisions with annual reviews using an improved cost-based pricing formula.[80] However, the Government directed RTCs not to adopt the 15% fare increase recommended by the National Transport Commission (NTC), the national transport regulator, from July 2002. The regulatory regime for bus transport remains fragmented with overlapping responsibilities vested in provincial Councils and the NTC (National Transport Commission Act No. 37 of 1991).

The Government is establishing private-public partnership arrangements (PPPA) in RTCs to improve efficiency. In 2002, the Public Enterprises Reform Commission (PERC) invited investors to acquire 39% equity in and to manage RTCs. They are expected to inject extra funds through government-guaranteed debt financing, maintain existing employees on no worse terms and conditions, and provide public services under government supervision, all in return for state subsidies.[81] As a result of low interest in RTCs, divestment was postponed. Six RTCs were to have been divested to a private consortium in 2003. However, following court action, Cabinet withdrew this award and the PERC is calling for new tenders for all 13 RTCs.

P. 108, para. 125

The BOI supports **tourism** with tax incentives (Chapter III(3)). Tourism on the east coast, which was closed in 1987 for security reasons, re-opened in 2002. The Government has established a concessional loan facility of up to Rs 50 million to help hotels in the Trincomalee district to refurbish.

____

[78] Ministry of Finance (undated).

[79] Rs 225 million was also paid to subsidize bus travel by school children and Rs 300 million to fund bus services on uneconomic rural routes.

[80] Cost components of the formula are fuel (27%), crew (22%), repairs (12%), service, lubricants, tyres, and tubes (11%), depreciation (10%), finance costs and risk (10%) and overheads (8%). Interim fare increases are possible when diesel prices rise rapidly.

[81] Government guarantees are limited to 30% of the investor's purchased equity.